2012

Workers Compensation Board of PEI Annual Report

Promoting safe workplaces
Protecting Island workers and employers

Safety Matters @Work
Workers Compensation Board of PEI

www.wcb.pe.ca

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Letter of Transmittal

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Workers Compensation Board of PEI

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April 30, 2013

Hon. Janice Sherry
Minister of Environment, Labour and Justice
Fourth Floor, Shaw Building South
95 Rochford Street
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister Sherry,

In accordance with Section 34 of the *Workers Compensation Act*, the Board is pleased to provide its Annual Report for the year ending December 31, 2012.

Respectfully submitted,

Nancy Guptill
Workers Compensation Board Chair

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Report to Stakeholders

About Us

Safety Matters @Work
Workers Compensation Board of PEI

Mission

The Workers Compensation Board exists to promote safe workplaces and to protect employers and injured workers through a sustainable accident insurance program.

Values

- We treat people with fairness, care and respect
- We communicate in an open and honest manner
- We are accountable to the public and our stakeholders
- We believe in teamwork and are committed to continually improving our services
- We foster trust
- We act with integrity and professionalism

A Message
from the Chair

On behalf of the Workers Compensation Board of Directors and staff, I am pleased to present our 2012 Annual Report to our stakeholders. This past year has been successful and busy for the Workers Compensation Board (WCB) as we continue to strive for excellence in all that we do to protect Island workers and employers and in building a culture of workplace safety on Prince Edward Island.

The Workers Compensation Board of Directors is entrusted with the role of governing our province's workplace safety and compensation system. We are charged with managing the risks and impacts of workplace injuries and assessment rates while balancing the interests of Island workers and employers. As governors, we must also ensure that the organization is strategically positioned to address our future challenges, such as access to medical care and the potential impact of changes to federal Employment Insurance and Old Age Security programs.

In 2012, we fulfilled our governance role through a variety of initiatives. We undertook a comprehensive review of our governance policies, developed the 2013-2015 WCB Strategic Plan, participated on national committees, and attended the Association of Workers Compensation Boards of Canada Congress and Governance Symposium. Throughout the year, we focused on four main priorities: prevention, return to work, funding and legislation.

In the area of prevention, in 2012, we engaged in policies and initiatives to reduce injuries which in turn have an impact on costs for our employers. The Zero Tolerance campaign for fall protection violations was one such initiative that protects

Message
de la présidente

Au nom du conseil d'administration et du personnel de la Commission des accidents du travail (CAT), je suis heureuse de présenter notre rapport annuel 2012 à nos intervenants. L'année qui vient de s'écouler a été chargée et pleine de succès pour la CAT. Au cours de cette année, nous avons poursuivi nos efforts pour assurer l'excellence dans tout ce que nous faisons pour protéger les travailleurs et employeurs de la province et pour bâtir une culture favorisant la sécurité en milieu de travail à l'Île-du-Prince-Édouard.

Le conseil d'administration de la CAT a pour mandat d'administrer le système d'indemnisation et de sécurité en milieu de travail de la province. Nous devons gérer les risques et conséquences liés aux blessures en milieu de travail et les taux de cotisation tout en assurant l'équilibre entre les intérêts des travailleurs et des employeurs. En tant qu'administrateurs, nous devons également faire en sorte que l'organisme soit capable de répondre de façon stratégique aux défis futurs, comme l'accès aux soins médicaux et les conséquences potentielles de la modification du régime d'assurance-emploi et du Programme de la sécurité de la vieillesse.

En 2012, nous avons assuré la gouvernance au moyen de diverses initiatives. Nous avons entrepris un examen approfondi de nos politiques de gouvernance, élaboré le plan stratégique de la CAT pour 2013 à 2015, siégé à des comités nationaux et participé au congrès et au symposium sur la gouvernance de l'Association des commissions des accidents du travail du Canada. Au cours de l'année, nous avons accordé une priorité à quatre points : la prévention, le retour au travail, le financement et les dispositions législatives.

Pour ce qui est de la prévention, en 2012, nous avons mis en œuvre des politiques et des initiatives visant à réduire les blessures, ce qui a un effet sur les coûts pour les employeurs. La campagne Tolérance zéro pour promouvoir la protection contre les chutes est un exemple d'initiative qui aide à protéger les travailleurs tout en réduisant les coûts du système – tout le monde y gagne. Nous nous sommes efforcés de former les travailleurs et les employeurs pour promouvoir les habitudes de travail sécuritaires et avons créé un prix annuel pour encourager les jeunes défenseurs de la sécurité de l'Île. Nous sommes heureux du grand intérêt dont font preuve les jeunes pour la sécurité en milieu de travail – ils y travailleront dans l'avenir. La CAT est d'avis qu'il n'est jamais trop tôt pour développer des habitudes de travail sécuritaires.

workers and ultimately reduces system costs, which is a win-win situation for all Islanders. We concentrated on training workers and employers to promote safe work habits and introduced an annual Safety Matters Award to motivate safety champions among Island youth. We are proud that our young people are showing such a keen interest in workplace safety, as they will work to protect each other in the future. At the WCB, we believe that it is never too early to develop safe work habits.

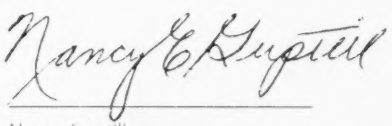
Another way in which we worked together with our stakeholders in 2012 was through a continued focus on helping injured workers to return to work in a safe and timely manner. Effective return to work programs contribute to the recovery process by helping workers to remain active, productive and connected to the workplace which benefits Island workers and employers.

The Board of Directors is responsible for protecting the WCB's healthy financial status on behalf of Island employers and for ensuring security of payment for injured workers when they need it. We have been fortunate that our investment fund has remained fully funded in 2012 which allows us to continue to meet our financial obligations and to further public confidence in our ability for fiscal management.

In 2012, we continued to work toward enhancing the relevance and accountability of Prince Edward Island's Workers Compensation legislation by facilitating a statutory five-year review. We assembled the 2012 Workers Compensation Legislative Review Advisory Committee, which has since completed its review and submitted its report to Government.

The accomplishments of 2012 were made possible because of a collective effort and the sound financial foundation that the WCB has built over the past several years. I would like to express my gratitude to my fellow Board members for their dedication and diligent governance; to our Chief Executive Officer Sharon Cameron whose commitment and leadership will help us meet our future challenges; to our dedicated staff who consistently serve our clients with excellence; and to our stakeholders for their collaboration in making workplace safety a priority on Prince Edward Island.

This past year was marked by the passing of four people as a result of workplace illness or injury. This tragic loss is a poignant reminder of the importance of workplace safety, and the reason we must continue to work together to build a culture of workplace safety.



Nancy Guptill
Workers Compensation Board Chair

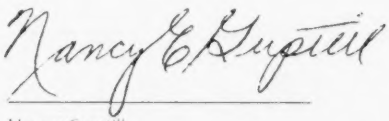
En 2012, une autre façon pour nous de collaborer avec nos intervenants a été de travailler de façon continue pour aider les travailleurs ayant subi une blessure à retourner au travail de façon sécuritaire et en temps opportun. Les programmes de retour au travail efficaces favorisent le rétablissement en permettant de rester actif, productif et en contact avec le milieu de travail, ce qui est avantageux pour les travailleurs et les employeurs de l'Île.

Le conseil d'administration est responsable d'assurer la bonne gestion financière de la CAT pour les employeurs de la province et d'assurer la garantie de paiement pour les travailleurs ayant subi une blessure. Nous sommes chanceux qu'en 2012, notre fonds d'investissement a continué d'être entièrement financé, ce qui nous a permis de continuer de respecter nos obligations financières et d'accroître la confiance du public dans nos compétences en gestion financière.

En 2012, nous avons également poursuivi nos efforts pour faire en sorte que les dispositions législatives de l'Île-du-Prince-Édouard en matière d'indemnisation des travailleurs répondent mieux aux besoins des Insulaires, et ce, d'une façon plus opportune et transparente en contribuant à un examen obligatoire de cinq ans. En effet, nous avons formé un comité consultatif chargé de faire l'examen des dispositions législatives et celui-ci a soumis un rapport au gouvernement.

Les réalisations de 2012 ont pu être menées à bien grâce à un effort collectif et aux bases financières solides qu'a bâties CAT au cours des dernières années. Je veux remercier les autres membres du conseil d'administration pour leur travail dévoué et leur gouvernance diligente; notre directrice générale, Sharon Cameron, qui saura nous aider à faire face aux défis futurs grâce à son leadership; notre personnel dévoué, qui offre constamment un excellent service à nos clients; et nos intervenants pour leur collaboration dans la création d'une culture favorisant la sécurité en milieu de travail à l'Île-du-Prince-Édouard.

Au cours de la dernière année, quatre personnes sont décédées en raison d'une maladie ou d'un accident du travail. Ces pertes tragiques sont un douloureux rappel de l'importance de la sécurité en milieu de travail et de la raison pour laquelle nous devons continuer à travailler ensemble pour bâtir une culture qui favorise la sécurité en milieu de travail.



Nancy Guptill
Président

Our Board of Directors

The Workers Compensation Board (WCB) Board of Directors: (top from left) Margaret Stewart, Dianne Collins, Sandy MacKay, Stuart Affleck, Harvey Larkin, (bottom) Charlene McInnis, Mike Anneser, Nancy Guptill, Angus Houston

Chair

Nancy Guptill has been Chair of the Workers Compensation Board since 2007. She has made many contributions to Prince Edward Island as a former MLA and Cabinet Minister. Ms. Guptill was responsible for the Workers Compensation Act as the Minister of Labour and the Status of Women. She also served as the Minister of Tourism, was responsible for human rights in the province, and was the speaker of the legislative assembly.

Worker Representatives

Dianne Collins joined the Board of Directors in 2011 as a Worker Representative. She is a graduate of the Charlottetown Hospital School of Nursing and worked for over 30 years at Kings County Memorial Hospital. Throughout her career, Ms. Collins has been dedicated to improving health and safety for Islanders, serving on the KCMH Occupational Health and Safety Committee and the PEI Health Governance Advisory Council.

Sandy MacKay has been a Worker Representative on the Board of Directors since 2004. He is a past President of both the PEI Union of Public Sector Employees and the Federation of Labour. Mr. MacKay was a member of the task force that developed the first Occupational Health and Safety Act for PEI and has served on two Ministerial advisory committees that recommended changes to the Workers Compensation Act.

Charlene McInnis has been a Worker Representative on the Board of Directors since 2004. Injured on the job in 1999, she started working with Injured Workers groups and became the Injured Workers Organizational Committee Spokesperson in 2002. She is currently employed as the PEI Military Family Services Coordinator and now works for and with military families living on PEI and advocacy groups for Canadian Forces members injured in the line of duty.

Margaret Stewart has represented workers on the WCB Board of Directors since 2006. As a high school English teacher, then teacher-librarian, she was extensively involved in extra-curricular activities at the school, district, and provincial levels. After serving on the Board of Governors and then the Executive of the PEI Teachers' Federation for ten years, from 2001-2003 she spoke for teachers provincially and nationally as president of the PEITF and as a Canadian Teachers' Federation director. Most recently she served as Worker Representative on the 2012 Workers Compensation Legislative Review Advisory Committee.

Employer Representatives

Stuart Affleck has been an Employer Representative on the Board of Directors since 2008. He was a farm owner and operator for 38 years and has held many positions through organizations such as the PEI Potato Board, East Prince Regional Health Board, PEI Unit 2 Regional School Board and the PEI Provincial Family Farm Appeals Board.

Mike Anneser has been an Employer Representative and Vice-Chair of the Board of Directors since 2008. He was a member of the 2007 and 2012 Workers Compensation Legislative Review Advisory Committees and served on the Board of Directors for the PEI Road Builders and Heavy Construction Association. For over fifteen years, Mr. Anneser has coordinated safety training and programming for Kings County Construction Ltd.

Angus Houston has been an Employer Representative on the Board of Directors since 2008. He has over thirty years of experience as an employer on PEI working in a number of capacities in both the health and hospitality industries. In addition to owning and co-owning restaurants in both Montague and Charlottetown, Mr. Houston has served on numerous community boards and committees.

Harvey Larkin has been an Employer Representative on the Board of Directors since 2006. He is an employer in the hospitality industry with annual employment of 20-25 and is a farm co-owner and operator in the turkey growing business. Mr. Larkin has also served as a board member on various community organizations.

A Message
from the CEO

This past year has been both busy and exciting at the Workers Compensation Board, characterized by substantial transition and review. It was a year in which we took the opportunity to critically examine our organization and business processes so that we could make informed changes to improve the ways in which we administer the Island's compensation and safety system. Throughout this comprehensive review process, we were dedicated to meeting our operational commitments with service excellence.

In 2012, my first full year as WCB Chief Executive Officer, I was able to become fully acquainted with the organization and our role with the Association of Workers Compensation Boards of Canada. For me, the timing was ideal as our organization embarked upon a legislative review, strategic planning process and governance review. The fact that the WCB is fully funded provided me with an opportunity to take a good look at the organization and the work that we do, to make adjustments and to put measures in place so that we can continue to improve.

The year also provided an opportunity to assess our operating environment for risks that can have an impact on the balance required to maintain sufficient funds for the continued provision of optimal services. This ongoing assessment plays a critical role in strategic planning and measurement so that we can monitor indicators such as claim rates and medical costs. The WCB has an important responsibility to meet the needs of the compensation

Message
de la directrice générale

L'année qui vient de s'écouler a été chargée et excitante pour la Commission des accidents du travail (CAT) puisqu'elle a subi une importante transition et analyse. Au cours de l'année, nous avons fait l'analyse de notre organisme et de nos processus administratifs afin d'améliorer la façon dont nous administrons le système d'indemnisation et de sécurité de l'Île. Au cours de cet examen approfondi, nous avons veillé au respect de nos engagements opérationnels en assurant l'excellence de notre service.

En 2012, ma première année complète en tant que directrice générale de la CAT, j'ai pu apprendre à connaître à fond l'organisme et son rôle au sein de l'Association des commissions des accidents du travail du Canada. J'ai pu le faire dans un contexte idéal puisque notre organisme entreprenait une révision législative, un processus de planification stratégique et un examen de la gouvernance. De plus, le fait que la CAT est un organisme pleinement financé m'a donné la chance de me pencher attentivement sur l'organisme et le travail qu'il fait afin d'apporter des changements et de mettre en place des mesures lui permettant de continuer à s'améliorer.

L'année a également permis l'évaluation de notre environnement opérationnel afin de détecter les risques qui peuvent avoir un effet sur l'équilibre requis pour maintenir des fonds suffisants pour continuer à fournir des services optimaux. Cette évaluation joue un rôle essentiel dans la planification stratégique et la mesure afin de pouvoir suivre de près les indicateurs comme le taux de demandes et les coûts médicaux. La CAT se doit de répondre aux besoins du système d'indemnisation et de promouvoir la sécurité en milieu de travail tout en veillant à l'équilibre des coûts pour les employeurs de l'Île.

Nous savons que l'avenir nous réserve des défis et que nous devrons y faire face de façon stratégique. Nous sommes persuadés que nous sommes prêts grâce à notre nouveau plan stratégique, qui a été élaboré en collaboration avec notre conseil d'administration. Le plan est axé sur une culture dans laquelle la sécurité et le retour au travail sont encouragés, l'excellence du service est assurée et les intervenants participent. Nous allons continuer d'établir des relations solides avec nos partenaires dans la prévention, le retour au travail et la responsabilité financière.

system and promote the importance of workplace safety while balancing the costs for Island employers.

We know that we face challenges ahead and that we must face these challenges strategically. We are confident that we are prepared with our newly formed strategic plan which was created in partnership with our Board. It focuses on a culture in which safety and return to work are embraced, service excellence is assured and our stakeholders are engaged. We will continue to forge strong relationships with our partners in prevention, return to work and fiscal responsibility.

In 2012, our policy development process included measures to become better aligned with our Board governance and we will continue to identify areas for improvement. We also entered into a business process review to examine workload and technical requirements so that we may continue to add rigor to our current and future practices.

Fair and accurate decision-making is the hallmark of an effective safety and compensation system. In 2012, the WCB's evidence-based decision-making processes have been validated by a high rate of upheld appeal decisions and we will continue to examine the ways in which we make and communicate decisions.

At the WCB, we are fortunate to have a diversity of age and experience within our staff team. This lends well to new learning opportunities and to strengthening core elements while modernizing others. In 2012, we were also able to make some changes with key staff to enhance the alignment with our new strategic direction. As CEO, I feel privileged to be surrounded by such a dedicated team that continues to meet and exceed increasing demands for high quality service.

As we close off this strategic planning cycle in 2012, I am eager to embark on the WCB's future challenges going forward. I am grateful for the leadership and support of the WCB Board of Directors and I look forward to continued collaboration with our stakeholders.

Sadly in 2012, the WCB accepted four claims for occupational fatalities and the WCB extends its deepest sympathies to family and friends. Every life lost, whether it is the result of a recent traumatic incident, the latent effects of a past accident or an occupational disease, is a tragedy. The WCB is committed to working with Island workers and employers to promote safety and to prevent injury so that every Islander can make it home from work safely.

En 2012, notre processus d'élaboration de politiques comprenait des mesures visant à permettre de mieux s'aligner sur la gouvernance du conseil, et nous continuerons à trouver des points à améliorer. Nous avons également entrepris un examen de notre processus administratif afin d'analyser la charge de travail et les exigences techniques pour continuer à ajouter de la rigueur à nos pratiques actuelles et futures.

La prise de décisions justes et éclairées est la marque d'un système d'indemnisation et de sécurité efficace. En 2012, les processus de prise de décisions factuels de la CAT ont été validés par un haut taux de décisions d'appel maintenues. Nous allons continuer d'étudier les façons dont nous prenons et communiquons des décisions.

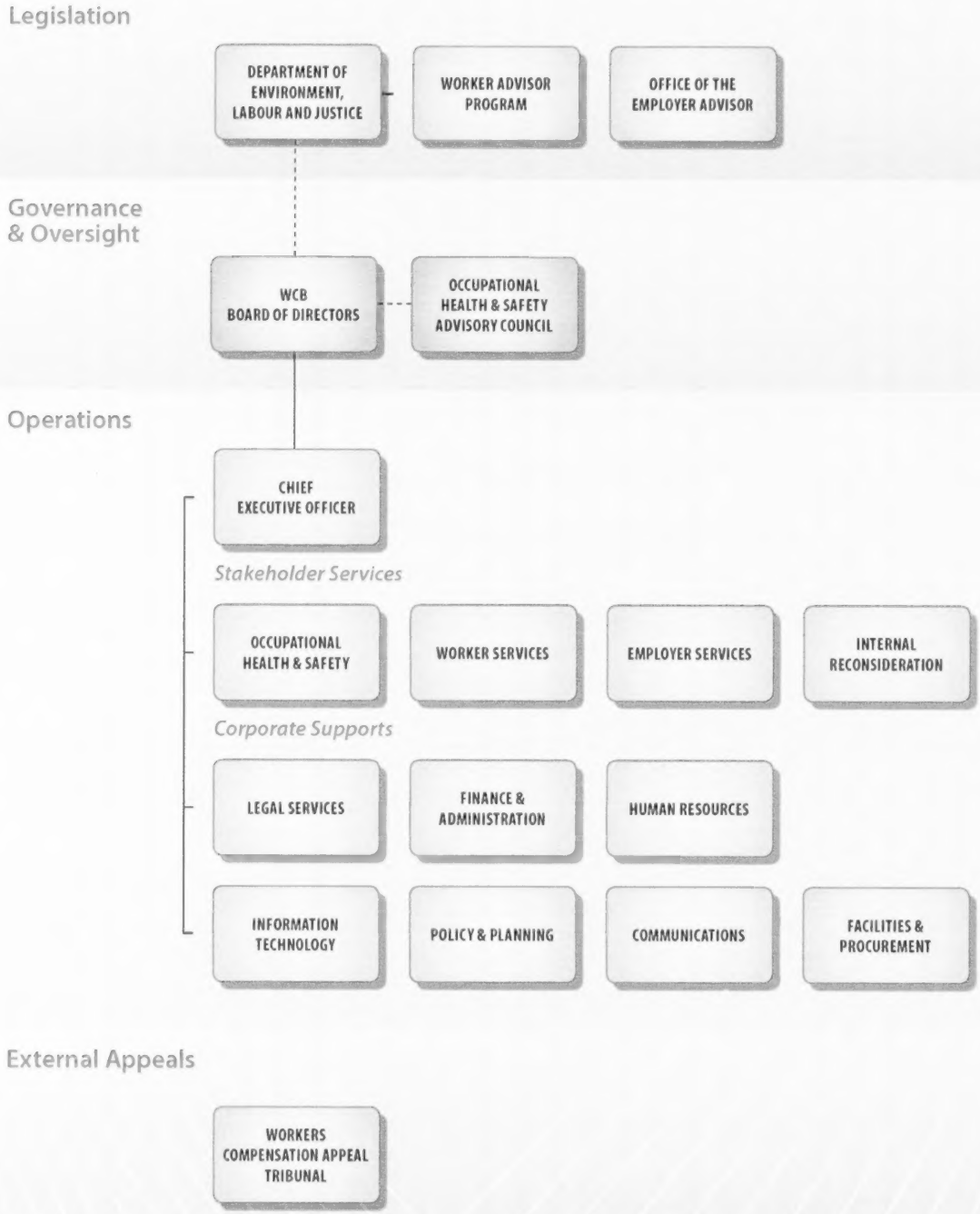
À la CAT, nous avons la chance d'avoir une équipe avec des expériences diversifiées et dont les membres appartiennent à diverses générations, ce qui est favorable pour les occasions d'apprentissage et pour renforcer les éléments de base et en actualiser d'autres. En 2012, nous avons également apporté des changements avec du personnel clé afin de mieux nous aligner sur notre nouvelle direction stratégique. En tant que directrice générale, je me sens privilégiée d'avoir une équipe aussi dévouée qui continue de répondre aux demandes croissantes de la prestation de services de qualité et qui va même au-delà de ces demandes.

Le cycle de planification stratégique entamé en 2012 est terminé et je suis enthousiaste à l'idée d'affronter les défis à venir pour la CAT. Je remercie le conseil d'administration de la CAT pour son leadership et son appui et j'espère que nous pourrons continuer à collaborer avec nos intervenants.

En 2012, la CAT a reçu quatre réclamations pour des décès liés au travail. La CAT tient donc à offrir ses sincères condoléances à la famille et aux amis des victimes. La perte d'une vie, que ce soit en raison d'un incident traumatique récent, des effets latents d'un accident passé ou d'une maladie professionnelle, est tragique. La CAT tient à faire front commun avec les travailleurs et les employeurs de l'Île pour promouvoir la sécurité et prévenir les blessures afin que les Insulaires puissent retourner chez eux après chaque journée de travail.

Sharon Cameron
Chief Executive Officer
Directrice générale

Workers Compensation Board of PEI
Functional Structure



Executive Team

Sharon Cameron, Chief Executive Officer
Ms. Cameron is responsible for the operation of the Workers Compensation Board, the development and implementation of its policies, and the management of its programs and services.

Jody Jackson, Executive Assistant
Mr. Jackson provides executive administrative support to the Chief Executive Officer, Senior Leadership Team and Board of Directors.

Wendy McIsaac, Director of Client Services
Ms. McIsaac leads the Client Services team in the provision of benefits and services to assist injured workers with recovery and return to work.

Bill Reid, Director of Occupational Health and Safety
Mr. Reid is responsible for the administration of occupational health and safety legislation and for the promotion of safe workplaces through education and enforcement services.

Tammy Turner, Director of Corporate Services
Ms. Turner provides leadership in the areas of employer assessment and corporate support services including finance, policy, facilities and procurement, information technology and communications.

Luanne Gallant, Manager of Human Resources
Ms. Gallant provides human resources leadership, direction, advice, consultation, professional development and support for the Workers Compensation Board.

Tanya Robertson and Dave Riley, Legal Counsel
Ms. Robertson and Mr. Riley provide legal advice and support in all aspects of the organization including workers compensation and occupational health and safety.

Shauneen Hood, Internal Reconsideration Officer
Ms. Hood is responsible for conducting an internal review if a Workers Compensation Board decision is questioned by a worker or an employer.

Core Business Overview

Prince Edward Island's workers compensation system is a **no-fault insurance** system that is entirely **funded by Island employers** and is administered by an independent statutory agency, the Workers Compensation Board (WCB).

The Workers Compensation Board **collaborates** with workers, employers and all Islanders to build **safe and healthy workplaces**. The WCB strives to increase awareness of safety and health at work, promote a culture of prevention of workplace injury, and enforce occupational health and safety standards.

If a work-related injury or illness occurs, the WCB provides **benefits and services** to help reduce the financial, physical and emotional impacts and to assist injured workers during the recovery process. The WCB works with injured workers, employers and health care providers to assist workers in remaining at work after an injury or **returning to work in a safe and timely manner**.

Funding for the compensation and safety system is based on the principle of **collective liability** and employer assessments are based on industry risks and costs of workplace injury. The WCB manages the accident fund on behalf of Island employers to ensure the **security of payment** for injured workers in the past, present and future. To help reduce costs and protect workers, the WCB works with employers to develop effective injury prevention and return to work programs.

The Workers Compensation Board is **accountable** to its stakeholders. It is committed to the strategic planning process, evidence-based decision making, effective policy research and development, meaningful stakeholder engagement and integrity in all aspects of WCB business.

Operating Environment

The Workers Compensation Board operates in an environment which at times can be **complex** with numerous factors influencing its business. To remain effective, the Workers Compensation Board must constantly **assess** its environment to identify potential **risk factors** and to develop effective **risk management strategies**.

A significant component of Prince Edward Island's **economy** is based on seasonal industries, which can present challenges in developing return to work programs for injured workers. In addition, even though PEI's unemployment rate is high, some industries on PEI have difficulty recruiting and retaining workers and are relying on temporary foreign workers to fill workforce gaps. The WCB must ensure that prevention and compensation measures are put in place to address the needs of an **increasingly diverse workforce**.

Prince Edward Island's workforce is characterized by an **aging demographic**. As people age, chronic conditions such as heart disease and diabetes often emerge which can delay healing after an injury has occurred. Other **health-related issues** that may present challenges include rising health care costs, access to timely health care services and the use of controversial medical treatments such as prescription marijuana and oxycodone-based products.

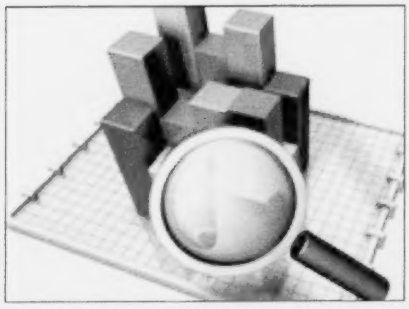
Client expectations are also changing with an increased demand for **immediacy** through electronic forums such as social media and online service transactions. The Workers Compensation Board must adapt to these expectations and provide **excellent service** for clients at every interaction.

The WCB is entrusted with the **protection** of our client's personal information within an environment of increased awareness of **privacy** and access issues. The WCB is committed to upholding the guidelines set out in the Workers Compensation Act and the Freedom of Information and Protection of Privacy Act.

Volatility in the markets creates a challenge as it affects the investment returns of the pooled fund. For the protection and benefit of workers and employers, it is crucial that the Workers Compensation Board continue to be financially responsible and remain in a **fully-funded** financial position.

The best way to protect Island workers and employers from potential environmental risks is to remain **vigilant** and to have sound business processes and monitoring systems in place. As the WCB closes off this strategic planning cycle and embarks on a new plan for 2013-15, we are committed to working together with our stakeholders in **proactive** and **responsive** ways so that we have a collective understanding of how to best address our future challenges.

Statistics At a Glance



KEY STATISTICAL MEASURE	2012	2011
Workers		
Estimated size of Prince Edward Island workforce*	72,800	72,000
Claims adjudicated	1,858	1,736
Claims accepted	1,727	1,627
Claims denied	131	109
Temporary wage loss claims	920	864
Medical aid only claims	803	763
Fatalities	4	0
Maximum annual earnings level	49,300	47,800
Average calendar days from report of accident to first payment	15.84	18.58
Average claim duration (days)	35.06	31.96
Employers		
Assessable payroll (in millions)	$1,701.19	$1,639.10
Assessment revenue (in millions)	$33.38	$32.93
Average assessment rate (per $100 assessed payroll)	$1.99	$2.05
Maximum assessable earnings	$49,300	$47,800
Number of assessed employers	5041	5011
Prevention		
Workplace health and safety inspections	2107	2071
Complaint investigations	124	80
Occupational Health and Safety compliance orders	1546	1476
Accident investigations	124	135
Prosecutions	0	1
Finance		
Benefits liability (in millions)	$151.66	$149.81
Fund balance (in millions)	$38.41	$21.07
Administration costs (in millions)	$7.43	$7.08
Market rate of return on portfolio	10.89%	2.63%
Workers Compensation Appeal Tribunal (WCAT) Appeals		
Appeals initiated by workers	29	14
Appeals initiated by employers	1	2
Appeals resolved	16	9

*Based on Statistics Canada Labour Force Survey Estimates of entire PEI workforce

Strategic Plan
Our Plan, Our Results

The Strategic Plan (2007-2012) reflects the mission and values of the Workers Compensation Board (WCB) and focuses on five strategic themes.

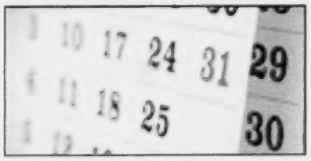
Within each theme, key result areas guide specific goals, actions and measures of success. Our results are highlighted for stakeholders by key result area.

Strategic Theme: *Sharing Prevention Responsibilities*

Strategic Theme: *Improving Worker Outcomes*

Strategic Theme: *Meeting Service Expectations*

Strategic Theme: *Promoting Strength Within*



Strategic Theme: *Securing the Future*

Strategic Theme:
Sharing Prevention Responsibilities

Key Result Area: *Injury Prevention*

The Workers Compensation Board recognizes that prevention is the most effective way to minimize the overall emotional, physical, and financial burden of workplace injuries. An effective injury prevention program depends on workers, employers and the Workers Compensation Board each understanding their role in making Prince Edward Island a safe place to work.

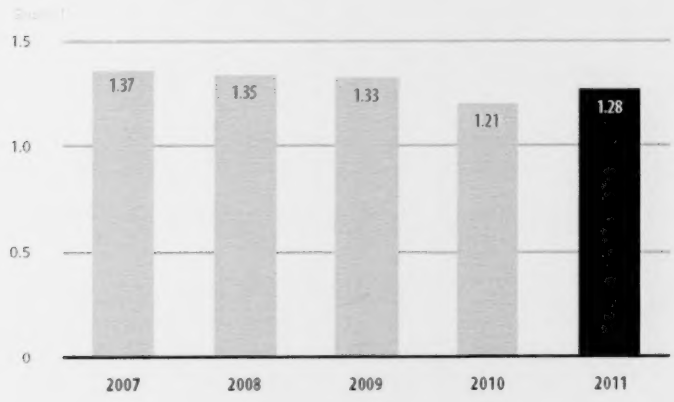
Measures of Success:

- Workers and employers perceive their injury prevention education needs are being met.
- The mandate of the Workers Compensation Board for injury prevention education is endorsed by workers and employers.
- A strategy for reducing recurring workplace injuries has been implemented.
- Incidents of recurring workplace injuries are being monitored.
- Workers and employers in high injury sectors recognize the value of the internal responsibility model for improving outcomes.

Results

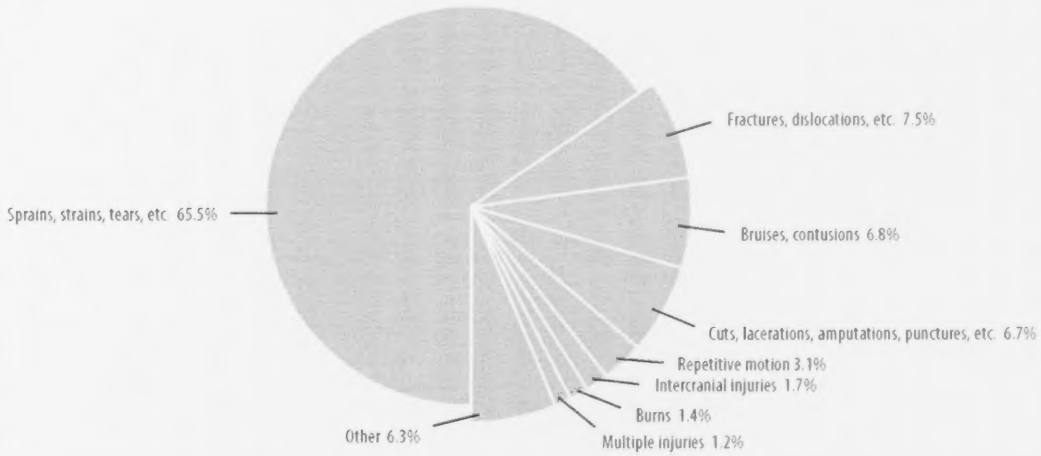
In the past five years, Prince Edward Island has seen a gradual decline in the frequency of workplace injury (Graphic 1), although in 2011 the province experienced an increase. The frequency, which is defined as the number of workplace claims for workplace injury per 100 workers, is reported for the previous year due to the availability of workforce data. The WCB will continue to monitor and analyze the injury frequency so that the appropriate prevention initiatives can be put in place to improve safety performance, particularly in high risk industries.

Injury Frequency (per 100 FTE's)

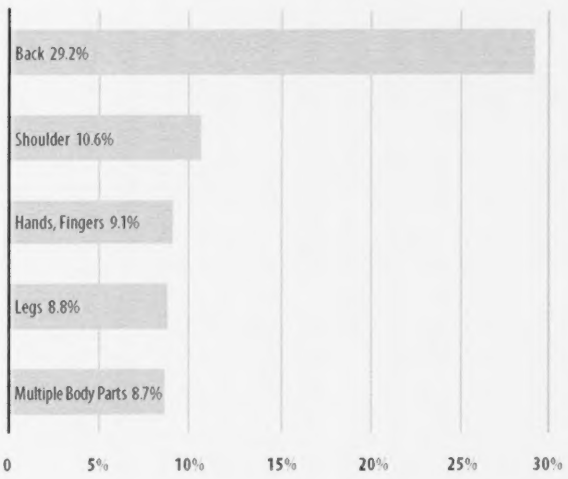


Soft tissues injuries such as sprains, strains and tears continue to be the most common in PEI workplaces (Graphic 2), with the back being the most frequently injured part of the body (Graphic 3). To promote awareness about prevention of these types of injuries, in 2012, the WCB launched the Back Protection Agent social marketing campaign. The campaign empowers its audience to take action to prevent back injury and was a product of the ongoing partnership with WCB NS, WHSCC NL and WorkSafeNB.

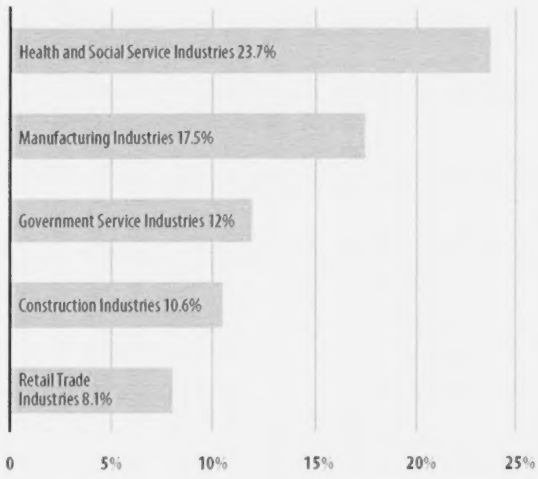
Nature of Injury



Top Five Anatomical Areas of Injury



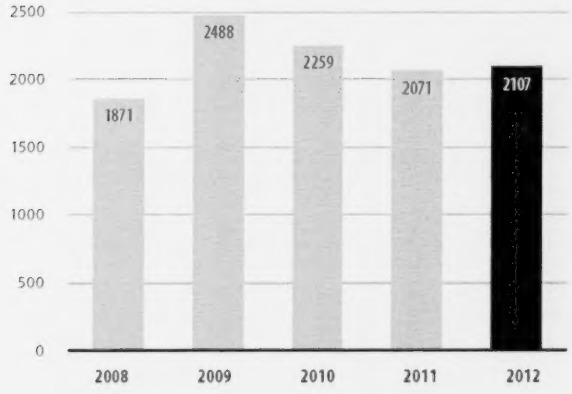
Top Five Industries having Workplace Injuries



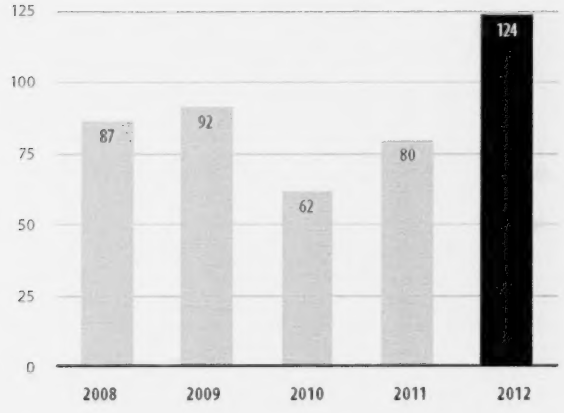
In 2012, the health and social services sector continued to be the industry with the highest proportion of workplace injuries (Graphic 4). The WCB has a dedicated Occupational Health and Safety (OHS) Officer to assist healthcare workers and employers in creating safer workplaces and promoting safe work practices.

In addition to the dedicated health care resource, the enforcement function of occupational health and safety was carried out by four general Occupational Health and Safety Officers and a Farm Safety Specialist. In addition to conducting 2107 inspections (Graphic 5), investigating 124 complaints (Graphic 6) and issuing 1546 orders (Graphic 7), a key enforcement initiative was implemented in 2012. The WCB implemented its first Zero Tolerance campaign against Fall Protection Violations to address flagrant violations to regulations involving working at heights. As a result of the campaign, in 2013 several employers, supervisors and workers were prosecuted and charged fines in the hope that serious injuries and fatalities can be prevented by making such violations a thing of the past.

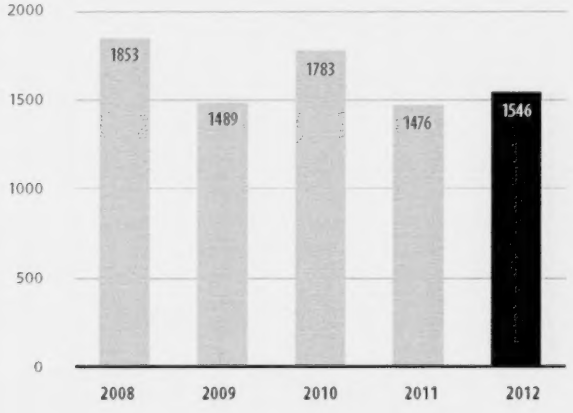
Workplace Health and Safety Inspections



Workplace Health and Safety Complaint Investigations



Workplace Health and Safety Compliance Orders



injury prevention...

depends on workers, employers and the Workers Compensation Board each understanding their role in making Prince Edward Island a safe place to work.

Education efforts continued in 2012 with 185 workshops and presentations delivered by the WCB Education Consultant , Youth Education Consultant and the Farm Safety Specialist. These included:

- A new workshop on the Internal Responsibility System titled "Speak up for Workplace Safety".
- Educational sessions for North American Occupational Safety and Health (NAOSH) Week, in partnership with the Canadian Society of Safety Engineers (CSSE).
- Sessions and materials to support the awareness of the amended First Aid Regulations.
- Another successful Workplace Health and Safety Conference in April 2012 to a capacity audience, providing delegates with a variety of learning opportunities about safety matters for Island workers and employers.

In addition to the live presentations, the WCB continued to prepare alternate methods for workplace safety education with the dissemination of recorded sessions to be used at the learner's convenience. This included an online workplace safety module for Holland College to use in every course of study and training program for instruction on the principles of Occupational Health and Safety.

Safety in the Island's farming industry continued to be a priority in 2012. The WCB collaborated with the Federation of Agriculture on a farm hazard and risk assessment workshop, as well as the Foreign Worker Safety Orientation Project, producing a safety DVD in English, Spanish and Mandarin. Other farm safety initiatives included:

- The human health component in the pesticide certification course and the seed piece treatment certification course, developed in partnership with the Department of Agriculture.
- A due diligence workshop for the Aquaculture Alliance.

Another continued priority for the WCB is young worker safety. The WCB believes that developing safety habits early in life can contribute to a safety culture for future generations. Efforts to promote safety in youth in 2012 included:

- Presentations in Island schools on young worker rights and responsibilities.
- Development of a workshop for employers of young workers.
- Creation of the Safety Matters Award for a Grade 12 High School student who demonstrates the principles of occupational health and safety.
- Collaboration with our Atlantic partners to develop a Youth Safety Day during NAOSH week and workplace health and safety resources for teachers.
- Participation in the provincial Skills Canada Workplace Safety Competition for the ninth consecutive year.

In the weeks following the provincial competition, the Youth Education Consultant mentored the provincial gold medalist to prepare him for the national competition where he subsequently placed 1st and won the gold medal.

young worker safety...

developing safety habits early in life can contribute to a safety culture for future generations.

Strategic Theme:
Improving Worker Outcomes

Key Result Area: *Improving Outcomes for Workers with Soft Tissue Injuries*

Over fifty percent of all claims filed with the Workers Compensation Board are the result of soft tissue injuries. The Workers Compensation Board is committed to effective case management for all injury types; however, a focused approach which will enhance the timely and safe return to work for workers with soft tissue injuries is essential.

Measures of Success:

- A process for managing soft tissue injury claims has been developed.
- Staff, employers, and health care providers understand the process and respective roles and responsibilities for managing soft tissue injury claims.
- Soft tissue injury claims are being identified and a process for managing soft tissue injury claims is being used.
- Workers with soft tissue injuries have more successful outcomes.

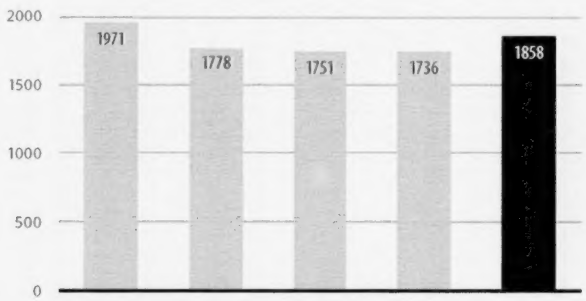
Results

Continuing the effort on improving outcomes for injured workers, the WCB implemented a pilot evaluation framework for the communication of critical path and fact sheets for low back and shoulder soft tissue injuries. Results indicate that the majority of workers who were identified to participate in the pilot received the information, understood it and found it useful. These findings indicate that this initiative has had a positive impact with respect to communication and education related to low back and shoulder soft tissue injuries.

In 2012, the WCB accepted four claims for occupational fatalities, including those that were the result of accidents that occurred in the past, occupational diseases with extended latency periods and sudden and traumatic injuries. As per the national reporting standard, the year reported is the year in which the fatality was accepted by the WCB.

Although there has been a decreasing trend in the incidence of claims since 2008, the WCB experienced an increase in claim volume this past year, from 1736 claims in 2011 to 1858 claims in 2012 (Graphic 8). Over time, Prince Edward Island has experienced an increase in the size of its workforce and the increased participation in the provincial labour market may be a contributing factor in the number of WCB claims adjudicated in 2012. The WCB will continue to investigate other potential causes contributing to increased claim volume such as increased risk of specific injury types.

Number of Adjudicated Claims



Total Adjudicated Claims:
Temporary Wage Loss:
Medical Aid Only:
Fatalities:
Denied:

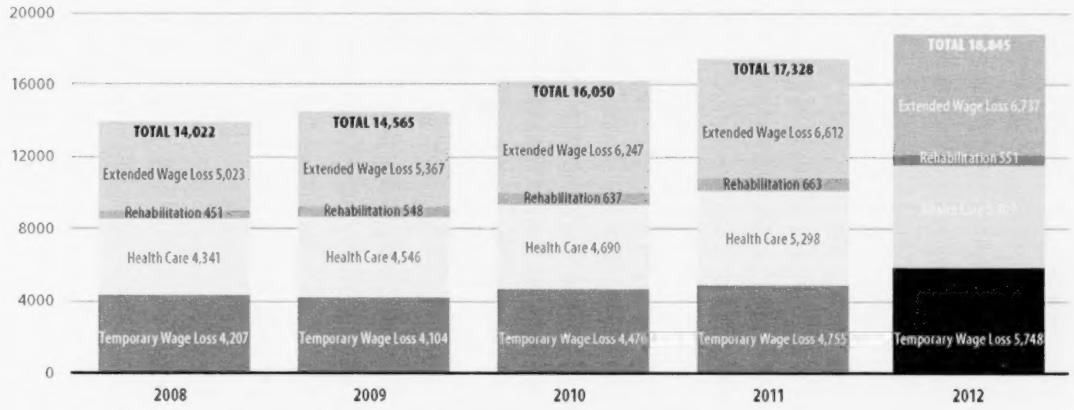
	2008	2009	2010	2011	2012
Total Adjudicated Claims	1971	1778	1751	1736	1858
Temporary Wage Loss	876	830	810	864	920
Medical Aid Only	955	776	859	763	813
Fatalities	2	2	0	0	4
Denied	148	150	82	109	131

With more claims in 2012, benefit payments incurred have also increased, particularly with respect to the costs associated with temporary wage loss and health care benefits (Graphic 9). Other factors that may have had an impact on benefit payments incurred include the increased costs of accessing health services, service providers, diagnostics, and treatment as well as the increase in claim duration (Graphic 10).

Benefit Payments Incurred (in thousands)

Graphic 9

Benefit Payments: Benefit payments (Incurred are associated with injuries which occurr in that year.

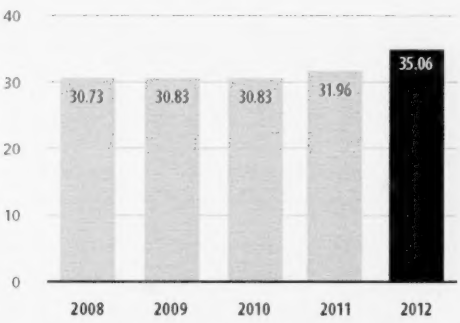


The WCB understands the need to focus on early intervention and reinforcing the benefits of a safe and timely return to work. The WCB also recognizes that return to work strategies must reflect the needs of the client population within the current context.

There are a number of factors that may affect return to work and consequently, claim duration (Graphic 10). For example, Prince Edward Island's workforce is situated within an aging demographic whose recovery may be longer in duration. In addition, the province has a significant seasonal workforce which can result in limited opportunities to return to pre-injury employment. Health system access can also impact claim duration, with some injuries requiring specialized medical treatment or surgery that may not be readily available.

Average Days Claim Duration

Graphic 10



The WCB has undertaken the development of key statistical indicators related to our claim environment to better track, monitor and measure outcomes related to client population, claim volume, duration, return to work efforts and costs. This will allow us to objectively measure progress, identify trends over time and plan strategically for the future with respect to improving worker outcomes and meeting service expectations.

over 50%

of all claims filed with the Workers Compensation Board are the result of soft tissue injuries... a focused approach which will enhance the safe and timely return to work for workers with soft tissue injuries is essential.

Strategic Theme:
Meeting Service Expectations

Key Result Area: *Service Delivery*

Meeting service delivery expectations will always be critical to the success of the Workers Compensation Board. Past stakeholder survey results indicate that improving claim processing effectiveness will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.

Measures of Success:

- WCB staff, employers, workers and service providers have participated in the identification of standards for claim processing effectiveness.
- Priority claim processing standards have been identified and communicated.
- Claim processing effectiveness has improved.

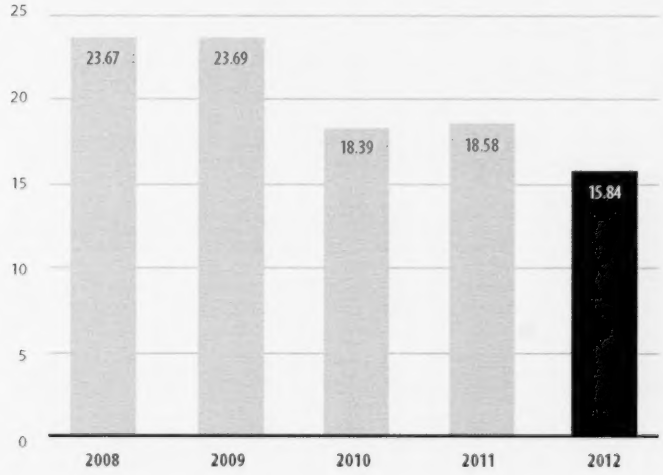
Results

Claim processing involves the management of active claims in the pre-adjudication, adjudication and post-adjudication phase and the administrative processing of other information received from workers, employers or service providers that may, in time, become an active claim.

The WCB has developed claim processing standards related to intake and entitlement (claims in the pre-adjudication and adjudication phase). Since the official implementation of the adjudication standards, 80% of workers have received their first benefit cheque within three weeks of reporting. As a result of positive outcomes achieved at the initial claims processing stages, the WCB is working to develop, implement and monitor standards for claims for case management (claims in the post-adjudication phase).

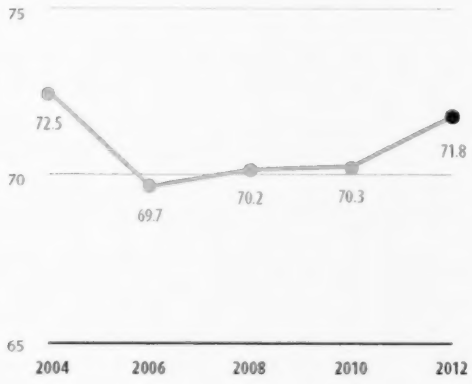
According to the results of injured worker surveys, WCB clients expect to receive their first benefit payment within two weeks. The WCB is committed to meeting and exceeding service delivery expectations. In 2012, the WCB achieved a reduction of close to three days in the time to first payment and will continue to strive toward the two-week target (Graphic 11).

Average Calendar Days from Report of Accident to First Payment

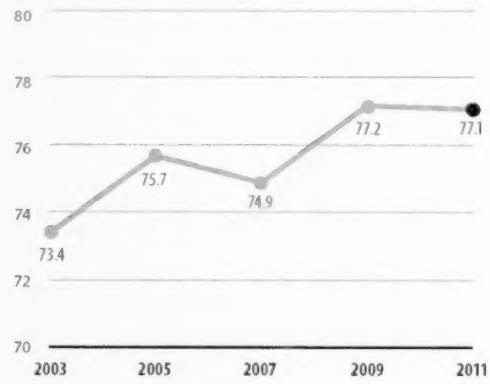


The WCB has a variety of mechanisms in place to ensure that service expectations are met. Alternating every year, the WCB solicits feedback from its key stakeholder groups, injured workers and employers, to measure the level of satisfaction with WCB services and programs (Graphics 12 & 13). In 2012, injured workers were surveyed, reporting a 71.8% satisfaction among clients who have received WCB services in the past year. More importantly, the survey results identified key areas in which the WCB can work to improve its services to injured workers.

Injured Workers Survey
WCB Performance Index



Employer Survey
Service Satisfaction Index



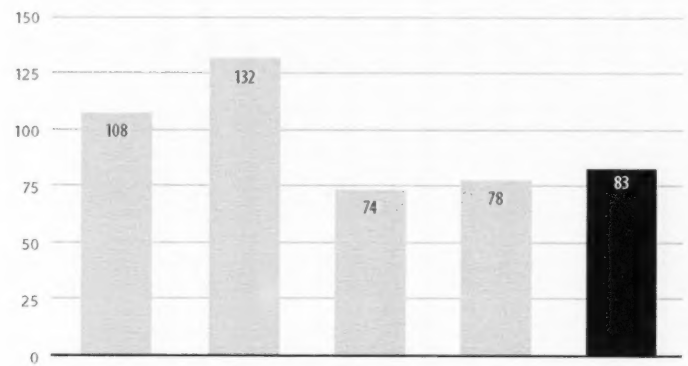
The WCB also provides its clients the opportunity to provide feedback on quality service issues through the WCB Customer Liaison Service. The role of the Customer Liaison Service is to ensure that concerns with the quality of the WCB's service are addressed, including those related to the WCB's ability to provide answers to questions; respond in a timely manner; be accessible to clients; and communicate clearly, courteously and professionally. In 2012, the Customer Liaison received seven calls, all of which were responded to within a 24-hour standard.

If a worker or employer is dissatisfied with a claim or assessment decision, there is a process in place for appeals. The first step in the appeal process is Internal Reconsideration. In 2012, there was a modest increase in the number of appeals received by the Internal Reconsideration Officer (Graphic 14) , which is consistent with the increase in number of claims in 2012 (Graphic 8). Of the appeals received, 72 were filed by workers and 11 were filed by employers. This past year, five appeals were accepted, in full or in part, while in 43 instances the original decision of the WCB was upheld. All decisions were made within the prescribed standard of 90 days. In 28 cases, the request for internal consideration was dismissed. This means that the request did not meet the requirements for internal reconsideration, which can result in the issue being sent back for further WCB adjudication. The sum of the number of accepted, denied and dismissed appeals does not match the number of appeals received, as there were pending decisions as of December 31, 2012.

Internal Reconsideration

Graphic 14

Statistics refer to the internal reconsideration activity in the year referenced. The decision(s) under appeal may be from previous years.



	2008	2009	2010	2011	2012
Appeals Received	108	132	74	78	83
Accepted	11*	14*	9	7	5*
Denied	64	106	40	34	43
Dismissed	22	19	23	26	28
Withdrawn	1	3	3	4	3

*Includes accepted in part

improving
claim processing...

will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.

Strategic Theme:
Meeting Service Expectations

Key Result Area: *Information Technology*

Technology continues to evolve at a rapid pace. The Workers Compensation Board recognizes the potential of the Internet for delivering core services to clients. Over the next five years, the Workers Compensation Board will roll out an E-business strategy providing secure and easy to use web-based services for clients who prefer the convenience of online access.

Measures of Success:

- A secure E-business infrastructure is in place.
- E-business services have been introduced.
- An Information Technology Business Plan has prioritized E-business requirements.
- E-business is available to stakeholders in a secure, well supported environment.
- E-business services are being used by stakeholders.

Results

Since the beginning of the 2007-2012 strategic planning cycle, the WCB has built a secure foundation that enabled the WCB to implement a variety of Online Services for Employers, including access to account information, assessment rates, claims costs and clearance certificates, as well as the ability to file accident reports electronically. In 2012, several Online Services enhancements were implemented, allowing employers the added convenience to:

- Pay assessments
- Renew employer registration
- Submit revisions to payroll
- Update account information
- Enroll in the Monthly Assessment Payment Option (MAPO) program
- Submit MAPO Remittances
- Create a favorites list for Clearance Certificates

In 2012, Island employers generated close to 6000 clearance letters online and there was a significant increase in participation with close to 500 new account holders since Online Services were launched in 2011. In 2012, a preliminary satisfaction survey was conducted among Online Services users and 94% of those surveyed indicated satisfaction with the service. They also provided valuable feedback on ways to improve the Online Services going forward. This feedback will be used to enhance the current services as well as in the implementation of the next phase of electronic services for injured workers and service providers.

...will roll out an E- business strategy providing secure and easy to use

web-based services.

Strategic Theme:
Promoting Strength Within

Key Result Area: *Human Resources*

A qualified, committed, and motivated staff is clearly the most valuable resource within any organization. The Workers Compensation Board must create an environment where staff believe in the work they do, have the tools, knowledge and support they need, and are challenged to contribute to ongoing improvement and positive change within the organization.

Measures of Success:

- Employees have participated in a review of performance development and evaluation methods.
- Performance development and evaluation procedures have been documented.
- Supervisors have been trained on performance development, evaluation procedures, and techniques for giving and receiving feedback.
- Employee satisfaction in areas specific to receiving support and recognition has improved.

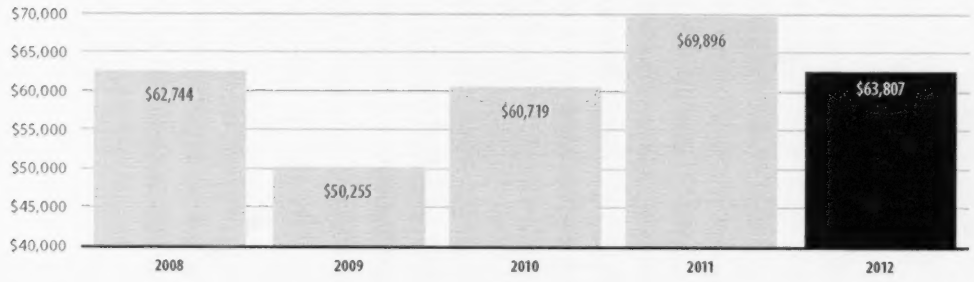
Results

In 2012, staff training and development continued to be a priority, with the WCB's ongoing commitment to building strength within demonstrated by the investment in employee development (Graphic 15). The total investment in employee development refers to the funds that are allocated through the organization's training and development fund, divisional professional development budget for organizational development initiatives and staff-requested training. This includes requirements for professional accreditation, attendance at national committee meetings and development of staff skill sets to enhance service delivery. In 2012, the WCB was also able to take advantage of learning opportunities through the provincial government's contract with Ceridian.

A number of new initiatives in 2012 were designed to develop our staff and contribute to a positive workplace culture. Keynote speakers have been incorporated into staff meetings to encourage professional development, and the formats of the meetings were revised following feedback from the employee opinion survey. The survey focused on internal communication and as a result, a variety of initiatives were implemented. These included increased frequency of communication to staff through email, increased accessibility of information with bulletin boards and efforts to promote an inclusive environment in meetings.

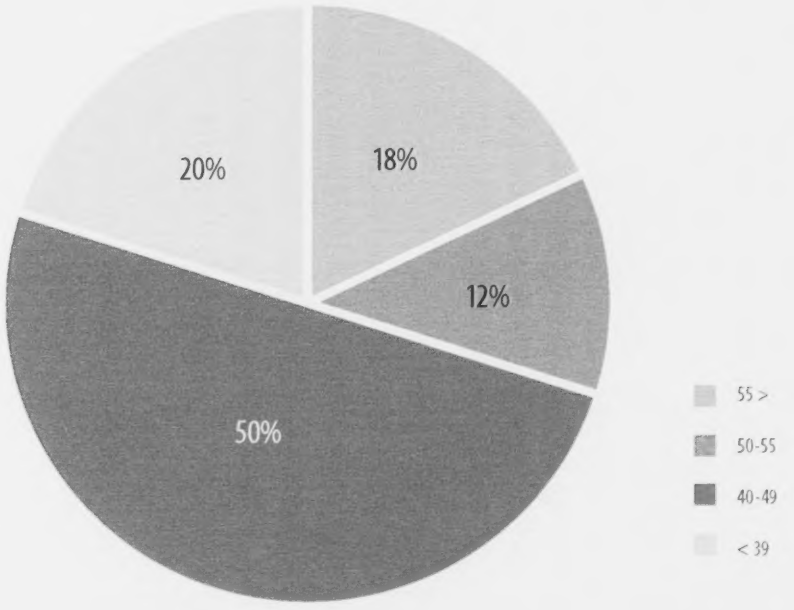
In 2012, empowerment of WCB staff continued with high participation levels in planning initiatives and committees for joint occupational safety and health, training and development, employee survey recommendations, wellness and social activities. The WCB continued to support staff with work/life balance related programs such as flexible work hours, income averaging and employee assistance, which included the 24/7 Lifeworks program.

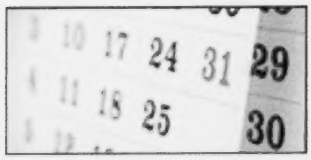
Investment in Employee Development



To fully understand the WCB's organizational and staff development needs, the composition of the WCB team must be considered. In 2012 for example, 18% of the WCB workforce was age 55 and older (Graphic 16) and may be eligible for retirement. In order to ensure the ongoing sustainability of the organization and to provide pragmatic development opportunities for staff, the WCB has identified knowledge management, succession planning and cross-training as priorities.

Staff 2012 Age Demographic (as of Nov 16, 2012)





Strategic Theme:
Securing the Future

Key Result Area: *Financial*

Long term sustainability of the workers compensation system on Prince Edward Island depends on sound fiscal management, stringent audit standards, full funding policies, and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

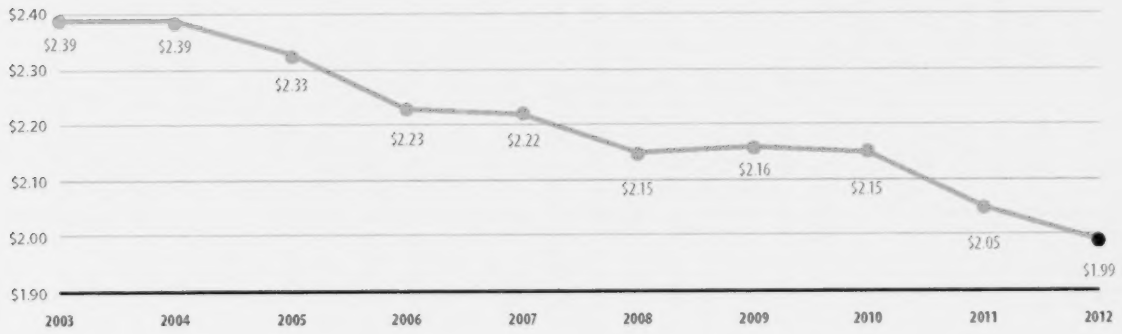
Measures of Success:

- The funding strategy has been amended.
- A funding policy has been developed.
- Funding targets are being maintained.
- Changing accounting standards are being monitored and potential impacts identified.

Results

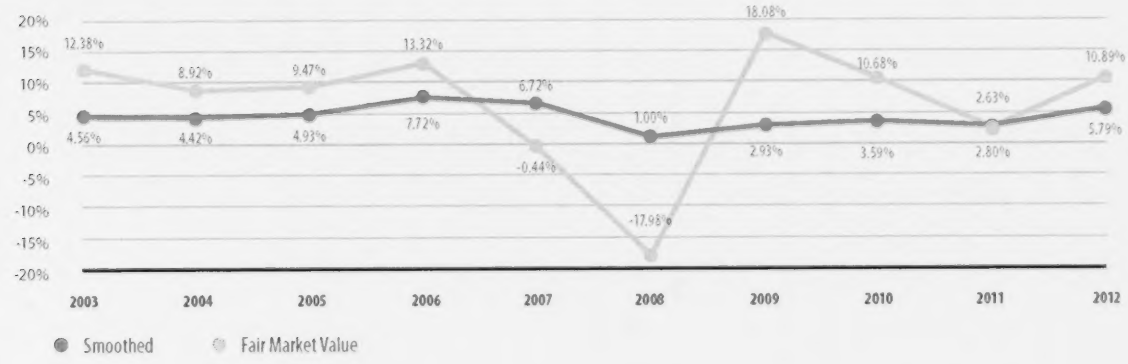
Since 2003, the WCB has offered Island employers a gradual decrease in the average assessment rate (Graphic 17), which is the average amount paid per $100 of assessable payroll across the entire workers compensation system. As a result of the WCB's stable financial position and good market returns, and despite rising claims costs, this trend continued in 2012 with a six cent reduction from the 2011 rate of $2.05 to $1.99.

Average Assessment Rate



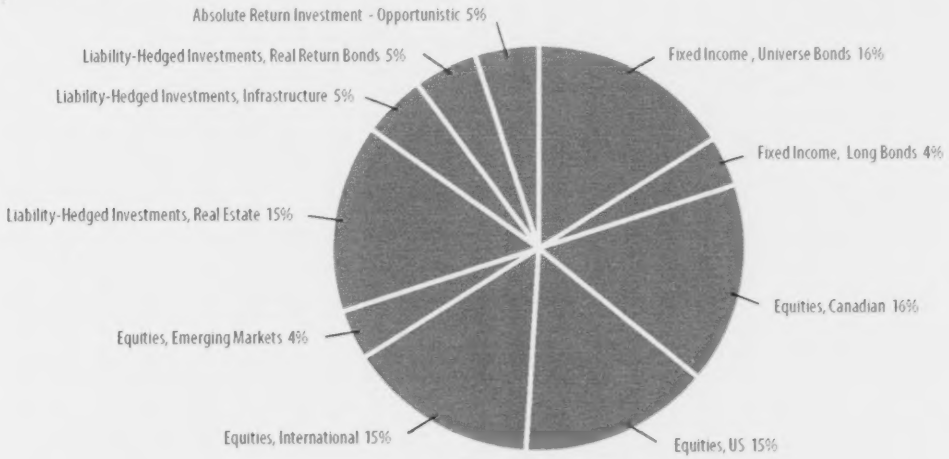
In 2012, the WCB's investment returns saw an increase from 2011, with a smoothed rate of 5.79% and a fair market value rate of 10.89% (Graphic 18). The smooth rate recognizes gains and losses in investments over five years, while the fair market value recognizes the gains and losses in the year they occur.

Investment Return Percentage



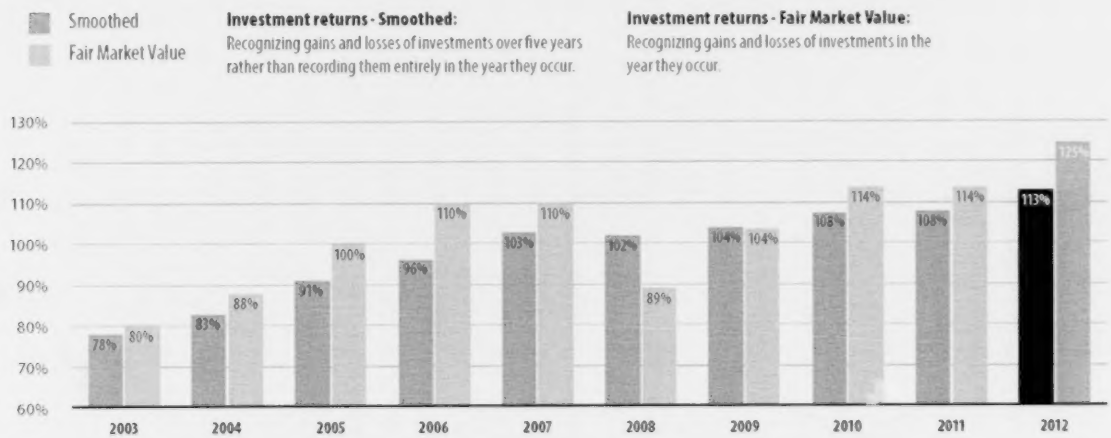
In 2012, there was a marginal adjustment in the Target Asset Mix (Graphic 19) based on a 2011 asset liability study completed by WorkSafeNB, the WCB's partner in its investment pool. The asset mix refers to the long-term allocation to various broadly defined classes of investments, which is a significant determinant of the future returns and risks. To ensure the revised mix remained suitable for the WCB's portion of the pooled fund, the WCB did its due diligence by consulting with an external actuary.

Target Asset Mix

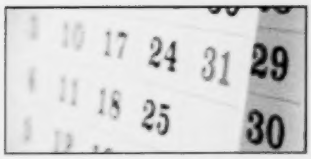

Absolute Return Investment - Opportunistic 5%
Liability-Hedged Investments, Real Return Bonds 5%
Liability-Hedged Investments, Infrastructure 5%
Liability-Hedged Investments, Real Estate 15%
Equities, Emerging Markets 4%
Equities, International 15%
Equities, US 15%
Equities, Canadian 16%
Fixed Income, Long Bonds 4%
Fixed Income, Universe Bonds 16%

A fully funded compensation system is essential for securing financial obligations associated with the payment of current and future worker benefits and the administration of an effective workers compensation system. In 2012, the WCB's funded position climbed to a smoothed rate of 113.2% and a fair market rate of 124.65% (Graphic 20). This healthy financial position means that the WCB can focus on proactive efforts to prevent injury, assist injured workers in returning to work, and monitor and control costs.

Funded Position (Percentage)



The WCB has a funding policy in place which states that when the WCB's smoothed funding position exceeds the target of 100-110%, excess revenues will be considered in the rate setting process. This means that the healthy financial position may translate into further cost savings for Island employers in the 2014 rates. The smoothed rate, as opposed to the fair market rate, is considered in the funding policy because it ensures that annual assessment rates are based on a long-term rate of return rather than volatile annual investment returns, thereby providing a buffer from market volatility for employers.



Strategic Theme:
Securing the Future

Key Result Area: *Legislation*

The Workers Compensation Board is responsible for administration of the Workers Compensation Act and the Occupational Health and Safety Act.

Provisions in the Workers Compensation Act mandate a comprehensive review every five years. The Workers Compensation Board must facilitate a fair and consultative process resulting in recommendations for change which balance the needs of workers, the needs of employers, and the fiscal responsibilities of the Workers Compensation Board.

Meeting demands for regulatory amendments within the occupational health and safety legislation will remain a priority for the Workers Compensation Board over the next number of years.

Measures of Success:

- The 2012 Legislative Advisory Committee has completed its review and provided recommendations on proposed Workers Compensation Act amendments.
- Occupational Health and Safety (OHS) Act regulatory priorities have been identified by the OHS Advisory Council.
- Workers Compensation Act amendments have been presented to Government.
- Priority Occupational Health and Safety Act Regulations have been presented to Government.

Results

In 2012, the five-year statutory review of the Workers Compensation Act commenced. The WCB appointed the 2012 Workers Compensation Legislative Advisory Committee, whose members included a worker and employer representative from the WCB Board of Directors, to conduct the review. The Committee was chaired by Douglas Stanley, former Chief Executive Officer of WorkSafeNB and past Deputy Minister of Labour and Manpower in New Brunswick.

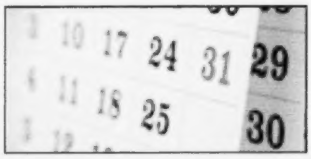
The extensive work of the 2007 Legislative Review Advisory Committee provided the foundation for the 2012 review. The WCB supported the consultation and review processes with staff, website and advertising resources, and contributed to the review with a submission of recommendations. The WCB is looking forward to working with Government to strengthen the workers compensation legislation so that it continues to protect Islanders while maintaining a balance of worker and employer interests.

In 2012, much work was done to strengthen the Island's Occupational Health and Safety (OHS) Regulations. The WCB worked with the OHS Advisory Council to review and recommend amendments to the Electricity and Asbestos Regulations and amended the Fall Protection Regulations to include requirements for training. In 2012, there was a one year implementation period for amendments to the First Aid Regulations.

Legislative and regulatory review... a

fair and consultative

process resulting in balance.



Strategic Theme:
Securing the Future

Key Result Area: *Business Continuity Planning*

Business continuity planning is a proactive planning approach which ensures that essential services are provided during a disruption of business. The Workers Compensation Board believes that mission critical services must be available to clients should an unforeseen event cause a disruption in normal business operations.

Measures of Success:

- A business continuity risk working group is in place.
- Mission critical services have been documented.
- A Business Continuity Plan has been formalized and communicated to staff within the Workers Compensation Board.
- Procedures for Business Continuity Plan maintenance are in place.

Results

In 2012, maintenance of the Business Continuity Plan continued with ongoing development and testing to confirm the plan reflects current business processes and resources. An additional effort to bolster business continuity was the physical relocation of the WCB server environment to a satellite site. This protects the WCB's ability to deliver critical services in the event the WCB office building is not functional.

The Workers Compensation Board believes that

mission critical services

must be available to clients should an unforeseen event cause a disruption in normal business operations.

Financial Statements

Preface to Audited Statements
2012 Financial Reporting

During the 2004 year, all Workers Compensation Boards in Canada were required to change their investment accounting policy in their financial statements as a result of new standards introduced by the Canadian Institute of Chartered Accountants. Investments are now required to be recorded at their fair value which is essentially their market value. In the 2011 year, the Board adopted International Financial Reporting Standards which continues to require that investments be recorded at their fair value.

Under the smoothed method of recorded investment income, Workers Compensation Boards in Canada had smoothed gains and losses on the sales of investments over five years rather than recording them entirely in the year they were sold. The result of doing this was to reduce the volatility experienced in the Board's financial results as the annual investment income was more comparable to the long term rate of return than rates experienced over the short term. This gave stability to assessment rates and ensured that annual assessment rates were not set based on volatile annual investment returns.

Under the fair value method of recording investment income, gains and losses are recognized in the year they occur. This can introduce a significant amount of volatility to the Board's financial results. As is outlined in the 2012 financial statements, the Board's financial results for the 2012 year were $8.7 million better than they would have been under the old investment policy.

The Board's funded percentage, as determined based on the smoothed method of recording investment income was 113.2% at the end of 2012 compared with 107.9% at the end of 2011. The adoption of the fair value method results in a funding ratio at the end of 2012 of 124.7%.

The Board considers a number of factors as drivers of its key business decisions, including its accounting policy and the health of the investment market. The Board has made a deliberate decision to protect Island employers and workers from market volatility by basing employer assessment rates and benefit levels for injured workers on the long-term expected rate of return rather than short-term results. Short-term annual investment gains or losses are, by their nature, unpredictable and not guaranteed to be sustained over the long term. The Board has determined that its financial capacity to lower rates or increase benefits will continue to be based on the long-term expected investment returns.

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as of December 31, 2001. In 2007, the Board replaced this funding strategy with a funding policy which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

The primary goals of the funding policy are to minimize the risk of becoming unfunded, thereby ensuring there is sufficient money available for payment of current and future worker benefits; minimize cost volatility for employers so that the overall average assessment rate for the current year will not vary significantly over the previous year's overall average assessment rate; minimize the total cost charged to employers by ensuring the funded status is appropriate in relation to financial needs; ensure today's employers pay for the current and future cost of today's accidents.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range.

We expect the Board to maintain strong financial results despite the potential for fluctuations and erratic movements of the investment market. We will also continue to be prudent when recognizing investment gains and losses over a reasonable time period when setting rates and evaluating the funding strategy.

Eckler

ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers Compensation Act of Prince Edward Island (the "Act") as at December 31, 2012, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms.

Our estimate of the benefits liabilities of $151,657,000 represents the actuarial present value at December 31, 2012, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2012. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. As in previous valuations, the benefits liabilities do not include any provision for outstanding latent occupational disease awards, except to the extent such claims are represented in the past claim histories. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years.

The liabilities have been allocated into five categories, namely: temporary wage loss; pensions and extended wage loss; health care; rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 3.00% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 2.25% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 75% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

Liabilities in respect of permanent extended wage loss, pensions, and Section 43 awards in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future extended wage loss and Section 43 awards have been determined based on factors developed from historical patterns of awards, and using mortality, interest, and inflation assumptions identical to those used in determining the existing extended wage loss and Section 43 liabilities.

The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 3.00% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.75% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation;
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date; and
- our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.

Jeff Turnbull
FSA, FCIA

Paul Conrad
FSA, FCIA, MAAA

Grant Thornton

Independent auditor's report

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To the members of the Board of the

Workers Compensation Board of Prince Edward Island

We have audited the accompanying financial statements of the Workers Compensation Board of Prince Edward Island, which comprise the statement of financial position as at December 31, 2012, and the statement of operations and fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Charlottetown, Prince Edward Island

March 28, 2013

Chartered Accountants

Workers Compensation Board of Prince Edward Island
Statements of operations and fund balance

Year ended December 31	Notes	2012	2011
Revenues			
Current assessments		$ 33,375,815	$ 32,928,109
Self-insured employers	12	1,054,525	824,041
Investments	4	17,746,497	4,089,821
Interest on receivables		185,925	216,617
Recoverable administration fees and interest charges to self-insured employers	12	346,573	294,320
		52,709,335	38,352,908
Expenses			
Claims cost expenses			
Expected increase	11	9,624,000	9,962,000
Changes in actuarial assumptions and methodology	11	-	689,000
Experience gains	11	(4,254,000)	(1,923,000)
Claims and administrative costs incurred	11	20,070,000	18,454,000
Other experience losses		129,000	750,052
Claims costs incurred for self-insured employers	12	1,054,525	824,041
		26,623,525	28,756,093
Administration expenses			
Administration (Page 60)		7,426,893	7,081,288
Workers' Advisor Program	14	157,759	157,855
Employers' Advisor Program	14	120,297	141,441
Appeals Tribunal	14	134,435	117,189
		7,839,384	7,497,773
Other expenses			
Investment management expenses	4	778,627	761,444
Bad debt expense		136,047	96,364
		914,674	857,808
Total expenses		35,377,583	37,111,674
Excess of revenues over expenses		$ 17,331,752	$ 1,241,234
Fund balance, beginning of year		$ 21,073,782	$ 19,832,548
Excess of revenues over expenses		17,331,752	1,241,234
Fund balance, end of year		$ 38,405,534	$ 21,073,782

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island
Statement of Financial Position

December 31

	Notes	2012	2011
Assets			
Cash and cash equivalents		**$ 4,949,353**	$ 8,596,510
Receivables	3	**1,554,472**	1,303,643
Investments	4	**184,284,447**	160,938,875
Property and equipment	6	**1,510,822**	1,529,900
Intangible assets	7	**1,878,609**	2,091,784
		$ 194,177,703	$ 174,460,712
Liabilities and fund balance			
Payables and accruals	9	**$ 2,762,169**	$ 2,380,930
Employee future benefits	10	**1,353,000**	1,196,000
Benefits liabilities	11	**151,657,000**	149,810,000
		155,772,169	153,386,930
Fund balance	13	**38,405,534**	21,073,782
		$ 194,177,703	$ 174,460,712

On behalf of the Board

Nancy E. Guptill
Chair

Sharon Cameron
Chief Executive Officer

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island
Statement of cash flows

Year ended December 31

	2012	2011
Cash flow from operating activities		
Cash received from:		
Assessed employers	**$ 33,113,354**	$ 32,599,471
Self insured employers for assessments	**1,060,968**	852,047
Investments and other	**4,229,370**	4,289,983
	38,403,692	37,741,501
Cash paid:		
To claimants or third parties on their behalf	**(23,207,525)**	(20,479,041)
For administration requirements and other goods	**(2,675,934)**	(2,619,023)
For salaries to employees	**(5,782,721)**	(5,489,686)
	(31,666,180)	(28,587,750)
Net cash provided by operating activities	**6,737,512**	9,153,751
Cash flow from investing activities		
Cash received from:		
Sale of investments	**48,231,390**	36,194,791
Cash paid for:		
Purchase of investments	**(58,273,958)**	(45,454,165)
Purchase of intangible assets	**(199,132)**	(235,015)
Purchase of property and equipment	**(142,969)**	(65,426)
	(58,616,059)	(45,754,606)
Net cash used in investing activities	**(10,384,669)**	(9,559,815)
Net decrease in cash and cash equivalents	**(3,647,157)**	(406,064)
Cash and cash equivalents		
Beginning of year	**8,596,510**	9,002,574
End of year	**$ 4,949,353**	$ 8,596,510

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2012

1. Nature of operations

The Workers Compensation Board of Prince Edward Island ("the Board") was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers' compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*. The Board's head office is located in Charlottetown, Prince Edward Island, Canada.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 28, 2013.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS
The financial statements of the Board have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2012.

The principal accounting policies applied in the preparation of the financial statement are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first time application of IFRS or another IFRS.

Basis of measurement
The financial statements of the Board have been prepared on a historical cost basis except for investments in the statement of financial position that are reported at fair value. The Board's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Board operates, which is also the presentation currency of the financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks. Cash and short term investments held by custodians for investment purposes are not available for general use and, accordingly, are included in investments.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the closing rate, which is the spot exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items and the subsequent translation of monetary items are included in the statement of operations in the period in which they arise.

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty
The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions, and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action.

Benefit liabilities, employee future benefits, accrued assessments, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 11 for additional details on benefit liabilities.

Revenue recognition
The Board recognizes revenue when services have been provided, it is probable that the associated economic benefits will flow to the Board and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Board's primary source of revenue is assessed premiums.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

Specific accounting policies
To facilitate a better understanding of the Board's financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Note	Topic	Page
3	Receivables	40
4	Investments	41
6	Property and equipment	46
7	Intangible assets	47
9	Payables and accruals	48
10	Employee future benefits	49
11	Benefits liabilities	50
12	Self-insured employers	57

2. Summary of significant accounting policies (cont'd)

Changes in accounting policies

Future Accounting Standards and Reporting Changes

The IASB has issued IFRS 13, "Fair Value Measurement" effective for year ends beginning on or after January 1, 2013. The new standard explains how to measure fair value by providing a new definition and introducing a single set of requirements for almost all fair value measurements. The standard also clarifies how to measure fair value when a market becomes less active and improves transparency through additional disclosures. Management does not anticipate that this section will have a material impact on its financial statements.

The IASB has revised IAS 19, "Employee Benefits". The amendments are effective for year ends beginning on or after January 1, 2013. The amended standard will result in immediate recognition of all estimated changes in the cost of providing defined benefits and all changes in the value of plan assets. The various methods which allow deferral of some of the gains or losses under the previous standard have been eliminated. Management does not anticipate that this section will have a material impact on its financial statements.

The IASB is currently working on revisions to IFRS 4 (Insurance Contracts), IAS 17 (Leases), and IAS 18 (Revenues). At the current time, the impact of proposed revisions is not determinable.

3. Receivables

Accounting Policy

Trade receivables are amounts due from employers for assessed premiums, or estimated premiums, when a final return for insurance coverage for the period has not been filed. Assessed premiums receivable are initially recognized at the invoiced amount and, subsequently, measured at recoverable value that is net of a provision for uncollectible amounts. Trade and other receivables are classified as financial assets and are recorded at amortized cost.

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Other receivables include amounts due from employees for computer purchases and other payroll related items.

	2012	2011
Receivables		
Assessments	**$ 1,606,303**	$ 1,477,368
Less allowance for doubtful accounts	**(141,400)**	(121,370)
Accrued assessments	**54,067**	(79,458)
Self-insured employers	**(35,032)**	(28,589)
Other receivables	**70,534**	55,692
	$ 1,554,472	$ 1,303,643

4. Investments

Accounting Policy

All the Board's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss investments. Real return bonds have been designated by the Board as fair value through profit or loss as permitted under IFRS 9. As such, all portfolio investments are recorded at their fair value. The Board recognizes interest revenue as earned, dividends when declared and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of the investments and their respective cost base. Unrealized gains and losses on fair value through profit or loss investments are recognized as investment income at year end based on the fair value of the investments at that time. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Investment income also includes interest income and income distributions from pooled funds.

The Board utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transaction are recorded on the date an agreement is entered (the trade date) and not on the date the transaction is finalized (the settlement date). Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transactions date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.
- Pooled fund units are valued at their year end net asset value, as determined by the fund manager or administrator. These values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.
- Real estate is originally recorded at cost from the date of acquisition until receipt of the first appraisal. After receipt of the first appraisal, they are recorded at their most recent external appraisal value. Real estate investments are appraised annually by qualified external real estate appraisers.

4. Investments (cont'd)

	2012	2011
Investments		
Cash and short term investments	$ 1,898,003	$ 1,641,544
Forward foreign exchange contracts	(113,813)	511,159
Real estate	27,682,355	16,781,539
Fixed terms investments	53,345,830	52,679,145
Equities	101,472,072	89,325,488
	$ 184,284,447	$ 160,938,875

	2012	2011
Investment income		
Earned during the year	$ 4,815,539	$ 4,803,804
Realized investment gains	4,668,413	3,002,859
Change in unrealized investment gain (losses)	8,262,545	(3,716,842)
	$ 17,746,497	$ 4,089,821
Investment expenses		
External management fees	$ 615,738	$ 592,597
Management fees paid to Worksafe NB	162,889	168,847
	$ 778,627	$ 761,444

Pooled funds

Certain of the Board's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

	2012	2011
Conventional bonds	$ 44,508,306	$ 43,811,913
Real return bonds	8,837,065	8,867,323
Non North American equities	7,136,194	5,428,674
Real estate	27,682,355	16,781,539
	$ 88,163,920	$ 74,889,449

Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of Worksafe NB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 13.57% at December 31, 2012 (2011 – 13.2%). The Board pays a fee to Worksafe NB for the administration of the combined investments.

5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafe NB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

Market risk
The Board invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that the Board's investments are diversified by issuer, industry and geographic location.

The table below indicates the total exposure in each of the equity mandates within the Board's portfolio:

	2012	2011
Canada	$ 33,000,129	$ 31,030,244
United States	29,641,183	27,618,993
International equities	31,654,175	25,148,658
Canadian commercial real estate	27,682,355	16,781,539
Emerging markets	7,176,586	5,527,737
	$ 129,154,428	$ 106,107,171

The table below presents the effect of a change in value of equities held based on management estimates for each of the equity mandates in the Boards' portfolio:

	2012			
Equities **Change in market value**	**15%**	**5%**	**-5%**	**-15%**
Impact on fund balance				
Canadian	$ 4,950,000	$ 1,650,000	$ (1,571,000)	$ (4,304,000)
United States	4,446,000	1,482,000	(1,411,000)	(4,866,000)
International equities	4,748,000	1,583,000	(1,507,000)	(4,129,000)
Canadian commercial real estate	4,152,000	1,384,000	(1,318,000)	(3,611,000)
Emerging markets	1,076,000	359,000	(342,000)	(936,000)

5. Financial risk management (cont'd)

Equities Change in market value	2011 15%	 5%	 -5%	 -15%
Impact on fund balance				
Canadian	$ 4,655,000	$ 1,552,000	$ (1,478,000)	$ (4,047,000)
United States	4,143,000	1,381,000	(1,315,000)	(3,602,000)
International equities	3,772,000	1,257,000	(1,198,000)	(3,280,000)
Canadian commercial real estate	2,517,000	839,000	(799,000)	(2,189,000)
Emerging markets	819,000	276,000	(263,000)	(721,000)

Foreign currency risk
The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2012 mature in the first three months of 2013.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 87.5% of the Board's total exposure to developed market foreign currencies and 74.6% of the total foreign currency exposure including emerging markets. The Board has holdings of $30,985,000 (2011 - $28,483,000) in US dollar or 16.8% of the portfolio, $7,367,000 (2011 - $6,202,000) or 4.0% in the Euro, $6,347,000 (2011 - $5,103,000) or 3.4% in the Japanese Yen, and $6,364,000 (2011 - $5,401,000) or 3.5% in the British Pound.

The table below presents the effects of a 15% appreciation in the Canadian dollar as compared to the US dollar, Euro, Japanese Yen and British Pound on the fund balance:

	2012	2011
CAD/USD	**$ (4,042,000)**	$ (3,715,000)
CAD/EURO	**$ (961,000)**	$ (809,000)
CAD/YEN	**$ (828,000)**	$ (666,000)
CAD/POUND	**$ (830,000)**	$ (704,000)

At December 31, 2012, the notional value of outstanding forward foreign exchange contracts was $28,626,084 (2011: $25,669,200). The fair value of these contracts was a loss of $113,813 (2011: gain of $511,159). Unrealized losses on forward foreign exchange contracts of $624,972 (2011: losses of $243,475) were included in investment income.

Inflation risk
Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

5. Financial risk management (cont'd)

Interest risk management
Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Board's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The following table presents the remaining term to maturity of the Board's outstanding fixed term investments.

	Remaining term to maturity				
	Within 1 year	From 1 year to 5 years	Over 5 years	**Total 2012**	Total 2011
Fixed term investments (market value)	$ -	$ 12,684,955	$ 40,660,875	**$ 53,345,830**	$ 52,679,145

The average effective yield of these fixed term investments is 2.0% (2011 – 2.2%) per annum based on market value.

As of December 31, 2012, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by $5,300,000 (2011 – $5,270,000) or approximately 10.0% (2011 – 10.0%) of their value.

Credit risk management
Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA-. As at December 31, 2012, the aggregate amount of fixed income securities with counterparty ratings of BBB was $nil (2011 – $66,854).

The Board is also exposed to credit risk through its trade receivables. The Board mitigates this risk through a regular monitoring process. Credit risk is mitigated due to the large number of customers and their dispersion across geographic areas and various industries. Allowance for doubtful accounts is reviewed at each balance sheet date. The Board updates its estimates of allowances for doubtful accounts based on customer history.

Fair value hierarchy
In compliance with IFRS 7, Financial Instruments – Disclosures, the Board has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Board's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

5. Financial risk management (cont'd)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,898,003	$ -	$ -	$ 1,898,003
Investments				
Forward foreign exchange contracts	-	(113,813)	-	(113,813)
Real estate	27,682,355	-	-	27,682,355
Fixed term	53,345,830	-	-	53,345,830
Equities	101,472,072	-	-	101,472,072
	$ 184,398,260	$ (113,813)	$ -	$ 184,284,447

During 2012 and 2011, there were no significant transfers of investments between level 1 and level 2.

Liquidity risk
Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows. The Board's current liabilities arise as claims are made. The Board does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Board has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous year in the exposure to risk or policies, procedure and methods used to measure the risk.

6. Property and equipment

Accounting Policy
Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the straight line basis. Assets are depreciated at 50% of the applicable rate in the year of acquisition. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings and components	10 to 40 years, straight line
Furniture and fixtures	10 years, straight line
Computer equipment	5 years, straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2012, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non financial assets.

6. Property and equipment (cont'd)

Gross carrying amount	Land	Buildings	Furniture & Fixtures	Computer Equipment	2012 Total
Balance January 1, 2012	$ 368,460	$1,686,181	$ 425,786	$ 522,489	$3,002,916
Additions	-	60,190	17,977	64,800	142,967
Disposals	-	-	-	(43,955)	(43,955)
Balance December 31, 2012	368,460	1,746,371	443,763	543,334	3,101,928
Depreciation and impairment					
Balance January 1, 2012	-	(795,369)	(379,371)	(298,186)	(1,472,926)
Disposals	-	-	-	41,541	41,541
Depreciation	-	(56,037)	(10,292)	(93,392)	(159,721)
Balance December 31, 2012	-	(851,406)	(389,663)	(350,037)	(1,591,106)
Carrying amount Dec 31, 2012	**$ 368,460**	**$ 894,965**	**$ 54,100**	**$ 193,297**	**$1,510,822**

Gross carrying amount	Land	Buildings	Furniture & Fixtures	Computer Equipment	2011 Total
Balance January 1, 2011	$ 368,460	$1,678,791	$ 422,791	$ 517,078	$2,987,120
Additions	-	7,390	2,995	55,141	65,526
Disposals	-	-	-	(49,730)	(49,730)
Balance December 31, 2011	368,460	1,686,181	425,786	522,489	3,002,916
Depreciation and impairment					
Balance January 1, 2011	-	(740,413)	(368,927)	(258,778)	(1,368,118)
Disposals	-	-	-	49,730	49,730
Depreciation	-	(54,956)	(10,444)	(89,138)	(154,538)
Balance December 31, 2011	-	(795,369)	(379,371)	(298,186)	(1,472,926)
Carrying amount Dec 31, 2011	**$ 368,460**	**$ 890,812**	**$ 46,415**	**$ 224,303**	**$1,529,990**

7. Intangible assets

Accounting Policy

Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and the Board has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditure includes the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

7. Intangible assets (cont'd)

The Board's intangible assets are comprised of computer software developed internally or acquired through third party vendors and customized as necessary. These costs are accounted for using the cost model whereby capitalised costs are amortized on a straight line or declining balance basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Internally developed software is amortized on a straight line basis over 10 years for certain software and 3 years for other smaller software programs.

Computer software	**2012**	2011
Gross carrying amount		
Balance at January 1	**$ 4,025,562**	$ 3,790,548
Addition, separately acquired	**199,131**	235,014
Disposal	**(8,934)**	-
Balance at December 31	**4,215,759**	4,025,562
Amortization and impairment		
Balance at January 1	**(1,933,778)**	(1,539,748)
Disposal	**5,807**	-
Amortization	**(409,179)**	(394,030)
Balance at December 31	**(2,337,150)**	(1,933,778)
Carrying amount December 31	**$ 1,878,609**	$ 2,091,784

8. Bank indebtedness

The Board has a $500,000 unsecured operating line of credit of which nil was used at December 31, 2012.

9. Payables and accruals

	2012	2011
Accrued staff salaries	**$ 125,198**	$ 101,294
Accrued vacation pay	**188,762**	176,677
Trade and other payables	**2,448,209**	2,102,959
	$ 2,762,169	$ 2,380,930

10. Employee benefits

Accounting policy
Permanent employees of the Board participate in a defined benefit pension plan sponsored by the Province of Prince Edward Island. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense.

The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method prorated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service.

Short term benefits
The Board's short term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan
The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporation and agencies based on the length of service and average of best three year's salary. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as mutli – employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is $340,269 (2011: $317,299). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2011, the Civil Service Superannuation Fund reported plan deficiencies of $139,987,000 or 87% funded.

Retirement pay benefits
The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service, or accrued 5 years of service and die or become disabled.

The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.4% (2011 – 3.9%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal $1,353,000 (2011 - $1,196,000) based on the last actuarial calculation as of December 31, 2012.

Other information about the Board's retirement pay benefits is as follows:

	2012	2011
Opening retirement pay benefits	$ 1,196,000	$ 1,015,600
Changes during the year	157,000	180,400
Ending retirement pay benefits	$ 1,353,000	$ 1,196,000

10. Employee benefits (cont'd)

Employee benefits risks
The Board's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Board is also exposed to funding risk in the multi employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments, and funding requirements.

11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2012, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2012, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

Since the benefits liabilities of the Board are of a long term nature, the actuarial assumptions and methods used to calculate the reported benefits liabilities are based on considerations of future expenses over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Key actuarial assumptions
Important components of the benefits liabilities are long term in nature, meaning that many claims continue in payment for many years following the accident.

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques.

11. Benefits liabilities (cont'd)

The key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

A provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date. This provision includes the cost of claims incurred but not reported to the Board.

The estimation of outstanding benefits liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and administration costs incurred to the reporting date. The various payment codes of the Board are grouped into a number of benefit categories and analyzed separately.

Modeling approaches are used to analyze and project the various benefit types. These approaches fall into three broad categories, which are as follows:

- Payments per claim for active long-term wage loss, pension and survivor claims;
- Projected payments based on past payment patterns for short-term disability, health care and the first seven years for long-term disability awards;
- Estimated average benefit payments per claim for projected future long-term wage loss and physical impairment awards.

Projected future claims payments and associated administration costs are obtained by examining the results from the above methods. This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding benefits liabilities that has an approximately equal chance of proving adequate as not.

The projected future claims payments are converted to inflated values, taking into account assumptions about future inflation. The present value of this liability is then calculated, by discounting the inflated cash flows to allow for future returns on the underlying assets using appropriate discount rates. Both implicit and explicit assumptions are made for future inflation. For the first fifteen years of the projection period for short-term disability, health care and the first seven years for long-term disability awards, the future inflation is implied in the development factors. Explicit future inflation assumptions are used for all other liability estimates.

11. Benefits liabilities (cont'd)

The table below presents key assumptions used to determine the benefits liabilities.

	2012	2011
Gross rate of return	**6.5%**	6.5%
Real rate of return	**3.5%**	3.5%
Increase in inflation	**3.0%**	3.0%
Future administration	**6.5%**	6.5%

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

General Statement
Assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the very long term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return
The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the Board in its statement of investment policies and beliefs. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

Future awards liabilities
For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2010 to 2012 period. The weightings are 17% of 2010, 33% of 2011 and 50% of 2012, all adjusted to constant 2012 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

Pension in pay
The liabilities in respect of pensions and extended wage loss awards, including survivor benefits that are already in payment, are included in this category. Cash flows, in respect of these categories have been projected on an individual claimant basis using mortality as the only decrement. No provision for termination of benefits from other causes such as recoveries has been made. To the extent such terminations occur, there will be a gain.

Future extended wage loss awards
Included in the valuation is a provision for future extended wage loss awards. A claims run off table has been developed based in part on the Board's limited experience with respect to wage loss claims. This table is used to predict the emergence of future extended wage loss claims. The table was developed using a run off table used by another Board with legislation similar to Prince Edward Island's with experience modifications noted in Prince Edward Island as compared to the other jurisdiction.

11. Benefits liabilities (cont'd)

Future administration
When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation. A detailed review of future administration expenses is conducted periodically. In this review an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

Occupational disease
The Board is liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in the financial statements.

An analysis of the components of and changes in benefits liabilities is as follows:

	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	2012 Total	2011 Total
Balance, beginning of year	$ 7,071,000	$ 98,202,000	$ 32,054,000	$ 3,340,000	$ 9,143,000	**$ 149,810,000**	$ 143,561,000
Expected increase	429,000	6,340,000	2,048,000	220,000	587,000	**9,624,000**	9,962,000
Changes in actuarial assumptions and methodology	-	-	-	-	-	-	689,000
Experience (gains) losses	2,557,000	(5,959,000)	560,000	(1,153,000)	(259,000)	**(4,254,000)**	(1,923,000)
	10,057,000	98,583,000	34,662,000	2,407,000	9,471,000	**155,180,000**	152,289,000
Costs incurred	5,748,000	6,737,000	5,809,000	551,000	1,225,000	**20,070,000**	18,454,000
	15,805,000	105,320,000	40,471,000	2,958,000	10,696,000	**175,250,000**	170,743,000
Less: Payments made	(6,696,000)	(8,068,000)	(6,917,000)	(472,000)	(1,440,000)	**(23,593,000)**	(20,933,000)
Balance, end of year	$ 9,109,000	$ 97,252,000	$ 33,554,000	$ 2,486,000	$ 9,256,000	**$ 151,657,000**	$ 149,810,000

Benefit liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in the future years. They do not add to the Board's liabilities on its net fund balance.

11. Benefits liabilities (cont'd)

Current year injuries

	2012		
	Current Year Cost	Present value of future costs	Total incurred claims
Health care	$ 1,740,000	$ 4,069,000	$ 5,809,000
Temporary wage loss	2,208,000	3,540,000	5,748,000
Rehabilitation	-	551,000	551,000
Lump sums	15,000	284,000	299,000
Future permanent awards	-	6,263,000	6,263,000
New permanent awards	19,000	156,000	175,000
Administration	259,000	966,000	1,225,000
Total	$ 4,241,000	$ 15,829,000	$ 20,070,000

Prior year injuries

	2011		
	Current Year Cost	Present value of future costs	Total incurred claims
Health care	$ 1,793,000	$ 3,505,000	$ 5,298,000
Temporary wage loss	1,903,000	2,852,000	4,755,000
Rehabilitation	-	663,000	663,000
Lump sums	18,000	359,000	377,000
Future permanent awards	-	6,235,000	6,235,000
Administration	241,000	885,000	1,126,000
Total	$ 3,955,000	$ 14,499,000	$ 18,454,000

11. Benefits liabilities (cont'd)

Reconciliation of movement in benefits liabilities

	2012	2011
Balance, beginning of the year	**$ 149,810,000**	$ 143,561,000
Interest on liability	**9,624,000**	9,962,000
Payments and other transitions	**(23,593,000)**	(20,933,000)
Balance, end of year for prior accident years	**135,841,000**	132,590,000
Impact of experience losses (gains) on change in liability for prior accident years due to:		
Mortality and termination	**(2,300,000)**	(1,300,000)
Award inflation (less) greater than expected	**(400,000)**	(1,000,000)
New awards	**(3,900,000)**	(700,000)
Change in outstanding provision	**(400,000)**	700,000
Change in expected claim run-off	**2,700,000**	(600,000)
Difference between actual and expected payments	**1,400,000**	(600,000)
Other	**(1,354,000)**	1,577,000
Total change in liability	**(4,254,000)**	(1,923,000)
Changes in inflation assumption	**-**	689,000
Liability for new accidents	**20,070,000**	18,454,000
Balance, end of year	**$ 151,657,000**	$ 149,810,000

11. Benefits liabilities (cont'd)

Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Board's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2006 to 2012. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

In 2011, the year of adoption of IFRS, only information from periods beginning on or after January 1, 2006 is required to be disclosed. This is being increased in each succeeding additional year, until ten years of information is included.

		($'000)							
		Accident year							
	Year of estimate	2006	2007	2008	2009	2010	2011	2012	Total
Estimated total cash flow (including past and future cash flows)	2006	$ 18,805							
	2007	18,408	$ 20,438						
	2008	17,678	20,093	$ 21,985					
	2009	19,977	19,152	21,431	$ 23,164				
	2010	21,525	19,722	21,158	24,135	$ 26,044			
	2011	19,937	19,120	20,276	24,699	24,901	$ 29,273		
	2012	20,110	18,289	19,947	24,987	23,286	28,208	$ 31,901	
Current (2012) estimate of total cash flow		20,110	18,289	19,947	24,987	23,286	28,208	31,901	$ 166,728
Total cash flows paid December 31, 2012		(9,337)	(8,901)	(8,189)	(8,705)	(7,238)	(8,056)	(4,003)	(54,429)
Estimated future cash flows		10,773	9,388	11,758	16,282	16,048	20,152	27,898	112,299
Impact of discounting		(4,781)	(4,316)	(5,468)	(7,733)	(7,540)	(9,378)	(12,473)	(51,689)
Liability for accident years 2006 - 2012		5,992	5,072	6,290	8,549	8,508	10,774	15,425	60,610
Liability for accident years 2005 and prior									81,791
Claims administration									9,256
Balance sheet liability at December 31, 2012									**$ 151,657**

11. Benefits liabilities (cont'd)

Claims risk

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work related injuries, the Board bears risk with respect to its future claims costs, which could have material implications for liability estimation. In determining the Board's claim benefit liabilities, a primary risk is that the actual benefits payments may exceed the estimation of the amount of the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claim run off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

Sensitivity of actuarial assumptions

The benefits liabilities are determined by using many actuarial assumptions. The two most significant assumptions are the real rate of return and inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table presents the sensitivity of the liabilities to the following change in the real rate of return and inflation rate:

	2012	2011
1% Decrease in real rate of return	**$11,581,000**	$ 11,494,000
1% Increase in inflation	**$(1,298,000)**	$(1,360,000)
0.25% Decrease in real rate of return	**$ 2,752,000**	$ 2,730,000
0.50% Decrease in real rate of return	**$ 5,591,000**	$ 5,552,000

12. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada who directly bear the costs of their own incurred claims and an appropriate share of administration expenses. Administrative fees and interest charges are included within the schedule of administrative expenses(page 60). Total amounts of assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	2012	2011
Current assessment revenue	**$ 1,054,561**	$ 824,041
Administration fees and interest charges recoverable	**346,573**	294,320
	$ 1,401,134	$ 1,118,361
Claims costs incurred		
Short term disability	**$ 205,957**	$ 111,553
Long term disability	**544,685**	502,467
Health care	**297,433**	208,071
Rehabilitation	**6,450**	1,950
	1,054,525	824,041
Administration fees and interest charges	**346,573**	294,320
	$ 1,401,098	$ 1,118,361

13. Funding strategy and capital management

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL 136) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

Although, per IFRS 9 – Financial Instruments: Classification and Measurement, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. Under the smoothing method, gains or losses realized on disposal of fixed term investments are deferred and amortized on a straight line basis over a nine year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four year period. The use of the smoothing method for funding policy purposes continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

Investment reconciliation to the smoothing method	
January 1, 2012 balance	$ 8,986,769
2012 adjustment to record revenue using the smoothing method	8,786,419
	$ 17,773,188
Fund balance based on investment smoothing	
Fund balance as currently reported	$ 38,405,534
Adjustment to record revenue using the smoothing method	(17,773,188)
Fund balance based on investment smoothing	$ 20,632,346
Asset total based on investment smoothing	
Total assets as currently reported	$ 194,177,703
Adjustment to record revenue using the smoothing method	(17,773,188)
Asset total based on investment smoothing	$ 176,404,515
Total liabilities as currently reported	$ 155,772,169
Funding status as per funding policy (percentage based on investment smoothing):	113.2%

14. Legislative obligations and other related party transactions

Included in these financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies, and Boards related to the Board by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid $157,759 (2011 - $157,855) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid $120,297 (2011 -$141,441) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid $134,435 (2011 - $117,189) to cover the operating costs of the Tribunal.

The table below presents total compensation of the key management group, which includes the Board of Directors and senior executive staff.

	2012	2011
Short term employee benefits	**$ 665,157**	$ 610,975
Post employment benefits	**63,009**	85,835
	$ 728,166	$ 696,810

Workers Compensation Board of Prince Edward Island
Schedule of administration expenses

Year ended December 31	2012	2011
Building operating costs	$ **193,421**	$ 158,441
Communications, printing and office supplies	**155,772**	181,594
Computer maintenance	**369,190**	295,506
Depreciation	**568,911**	548,560
Dues and fees	**67,735**	66,827
Interest and bank charges	**115,771**	120,698
Miscellaneous	**58,750**	44,519
Postage	**72,858**	75,059
Professional development	**63,807**	69,896
Professional fees	**929,232**	821,606
Salaries		
Board members	**116,978**	96,129
Staff members	**4,779,147**	4,619,092
Benefits	**821,568**	730,397
Retirement benefits (Note 10)	**222,043**	224,468
Telephone	**89,096**	83,581
Travel	**242,614**	222,915
	8,866,893	8,359,288
Less allocation to benefits liabilities (Note 11)	**(1,440,000)**	(1,278,000)
	$ **7,426,893**	$ 7,081,288

External Reports

Workers Compensation Appeal Tribunal

Annual Activity Report 2012

Message from the Tribunal Chair

As has been the practice for the past number of years, I am pleased to present the Annual Activity Report of the Workers Compensation Appeal Tribunal (WCAT). This report outlines the activities for the period January 1 to December 31, 2012, and highlights both the successes and setbacks encountered during the year.

Operational trends this year are comparable to the last few years. There were 30 new appeals filed; 17 hearings held; 16 decisions released; and 5 appeals withdrawn, abandoned or resolved before the hearing stage. The year-end caseload was 29, compared to 20 the previous year.

The fair, efficient, and timely processing of appeals remained a priority throughout the year. On average appeals were held within 87 days of the last documents being filed. Any scheduling delay was primarily the result of availability conflicts on the part of one or more of the participants.

The average length of time for a decision to be released was 135 days with 7 of the 16 decisions released within the 90-day timeline. This is a marked increase from 2011 when only 1 decision met that timeline.

One new Application for Leave to Appeal, initiated by the Workers Compensation Board, was filed with the P.E.I. Court of Appeal in 2012, and the Courts rendered its decision on a worker initiated appeal which was heard in 2011.

No protection of privacy complaints or access to information requests were received during 2012. However, one worker did file a complaint with the Human Rights Commission (the "HRC") alleging discrimination by WCAT in the area of employment and services on the basis of physical or intellectual disability and source of income. That complaint was subsequently dismissed by the HRC as it was without merit.

Finally, I want to acknowledge the contribution the members of the Appeal Tribunal make to ensure all appeals receive full and fair consideration. However, I would be remiss if I failed to recognize the individual commitment of the late Neil MacFadyen who served as a worker representative since the initial creation of the Appeal Tribunal in 1995.

Respectfully submitted,

Wendy E. Reid, Q.C.
WCAT Chair

Guiding Principles

WCAT's operations are governed by the Workers Compensation Act (the "Act") which sets out the structure, jurisdiction, and the responsibilities and functions to be applied. As an administrative tribunal, WCAT seeks to provide quality adjudication on a fair and timely basis. WCAT's guiding principles include:

- an accessible appeal system for workers and employers;
- easy access to appeal process information;
- superior quality service for all stakeholders;
- independent and impartial decision making; and
- timely and efficient appeal processing and decision making.

Our Mandate

To review final decisions of the Workers Compensation Board to ensure compliance with the Act, regulations and policy.

Our Mission

To provide a timely, fair and independent appeal process consistent with the legislation and the rules of natural justice and to render decisions which are a fair reflection of the case.

Our Values

Respect: We treat people with dignity, respect, care and fairness.

Fairness: We are committed to ensuring all our actions are free of bias and prejudice.

Professionalism: We are committed to delivering the highest standard of quality services, ethics, honesty and accountability.

About the Tribunal

WCAT is the final level of appeal in the workers compensation structure in Prince Edward Island. It hears appeals from final decisions of the Internal Reconsideration Officer (IRO) of the Workers Compensation Board (WCB). Its role is to review WCB decisions to ensure they are in compliance with the Act, regulations and policy.

WCAT is legally and administratively separate from WCB, ensuring an independent and impartial review of WCB decisions. However, it is bound by the Act, regulations and policy.

Members are appointed by, and at the pleasure of, the Lieutenant Governor in Council pursuant to Section 56(7) of the Act. The Act states membership is to consist of a chairperson, one or more vice-chairpersons, and as many members, equal in number, representative of employers and workers respectively. All members are part-time and are assigned hearings on a rotational basis.

With the resignation of four members from the Tribunal ~ Harvey MacKinnon and Neil MacFadyen for health reasons, and Ray Hann and Jordan Brown for personal reasons ~ the Tribunal complement now stands at 12 members, but it is expected that these vacancies will be filled early in the new year. Sitting members include:

Chairperson
Wendy E. Reid, Q.C.

Vice-Chairperson
John L. Ramsay, Q.C.

Vice-Chairperson
vacancy

Employer Representatives
Don Cudmore
Scott Dawson
Stu Lavers
Donald Turner
vacancy
vacancy

Worker Representatives
Leo Cheverie
Nancy FitzGerald
Bruce Gallant
Gordon Huestis
Elizabeth (Libba) Mobbs
Gary Paynter
vacancy

Appeals are heard by a panel of three consisting of the chair or one of the vice chairs, a member representing worker interests, and one representing employer interests. Hearings are held in either Charlottetown or Summerside and are conducted in accordance with the rules of natural justice and procedural fairness. Simply put, the guidelines of natural justice are the minimum standards of fair decision making and consist of the following elements:

- **The Hearing Rule** This is the requirement that a person has a right to a fair hearing. This involves notification; the opportunity to be heard; the conduct of the hearing; and, the right to representation.

- **The Bias Rule** This is the requirement that the decision-maker must act without bias in all procedures connected with the making of the decision. A decision-maker must be impartial and must make a decision based on a balanced consideration of the information and evidence before them.

- **The Evidence Rule** This rule is that an administrative decision must be based upon logical proof or evidence materials. The decision-maker must be able to clearly point to the evidence on which the determination was made.

WCAT is a non-adversarial forum where parties with a direct interest (the worker, the employer at the date of the accident, WCB, and any designated representative) are given an equal opportunity to present their case. An appeal panel can ask questions or obtain additional information for clarity purposes, but they cannot hear any new evidence which has not been considered by the IRO when making her decision. Should new evidence be presented, WCAT is obligated to return the matter to WCB.

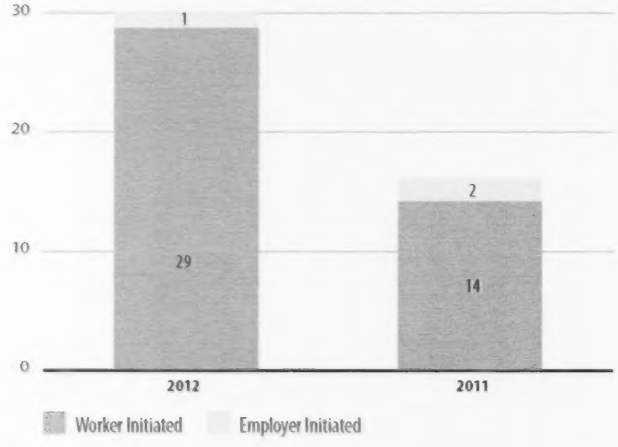
Caseload Activity Overview

Caseload inventory is affected by numerous factors including the number of cases carried over from the previous year; new appeals filed; appeals withdrawn; and, decisions released. A case remains active until the final decision is released. The year-end inventory stands at 29: 3 ready for hearing; 6 awaiting discovery filings; 7 pending decisions; and 13 returned to WCB for possible new evidence.

Appeals Filed

The number of appeals filed in 2012 increased 87.5% from the previous year. A total of 30 appeals were filed: 29 new worker appeals and 1 employer appeal. This compares to 16 appeals filed last year. Similar to previous years, the majority of appeals were filed by injured workers.

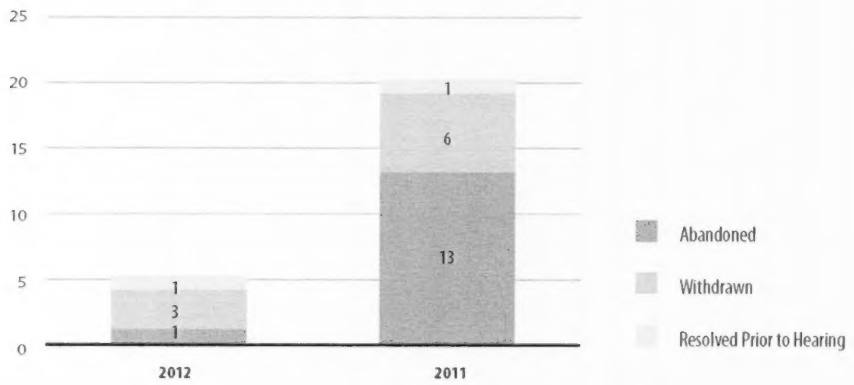
Appeals Filed



Appeals Withdrawn

During the year there were 5 files closed without hearing: 1 withdrawn by the appellant; 1 resolved at WCB; and 3 to allow further adjudication at the Board level. The primary reason appeals are withdrawn is the fact WCAT is prohibited from hearing evidence which had not been before the IRO and often new medical information is filed with the Board after the IRO decision has been released. However, many of these do find their way back to WCAT at a later date once a new WCB decision is issued.

Cases Withdrawn or Abandoned

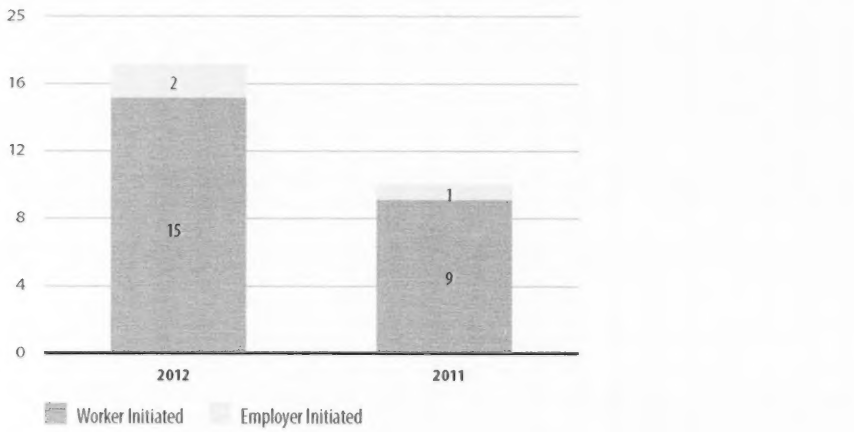


Hearings

Oral hearings are the normal mode for appeals. Hearings are scheduled as soon as possible following receipt of written arguments and submissions from all participating parties. In 2012, it took an average of 87 days for hearings to be scheduled. Delays in scheduling were generally the result of conflicting availability on the part of one or more of the participants.

With the increase in appeals filed there was a correlating increase in the number of hearings held. There were 17 hearings in 2012 compared to 10 in 2011, a 70% increase.

Hearings



Representation

All participants appearing before WCAT may choose to be represented by another person (Worker Advisor, Employer Advisor, lawyer, friend, union rep, or other individual). Over the past few years there has been a marked increase in representation. Similar to last year, with the exception of one hearing, during 2012 the Worker Advisor appeared at all hearings on behalf of worker appellants. The Employer Advisor appeared on behalf of one employer, while outside legal counsel was retained by one worker and one employer.

Year	*Worker Initiated Appeals*					*Employer Initiated Appeals*				
	Self	Worker Advisor	Personal Rep	Legal Counsel	Employer Advisor	Self	Employer Advisor	Personal Rep	Legal Counsel	Worker Advisor
2012	0	14	0	1	0	0	1	0	1	0
2011	1	8	0	0	0	0	1	0	0	1

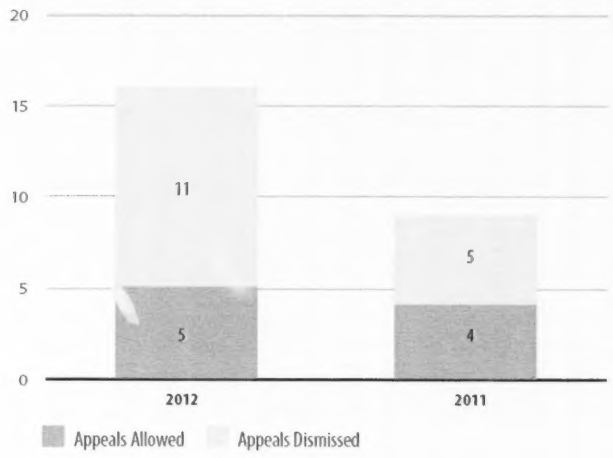
Note: In most worker appeals, the employer is seldom present, despite being invited to do so. Similarly, in employer initiated appeals pertaining to compensation the worker generally chooses not to participate. Workers are not invited to participate in assessment appeals.

Decisions

Numerous factors must be considered when comparing the number of decisions rendered and the number of hearings held. For example, there are instances where an appellant will table new evidence at a hearing and the matter is referred back to WCB without a written decision being rendered. Another example is the instance of multiple appeals being heard at once, but only one decision rendered. A third could simply be timing in that an appeal is heard one year but the decision not rendered until the following year.

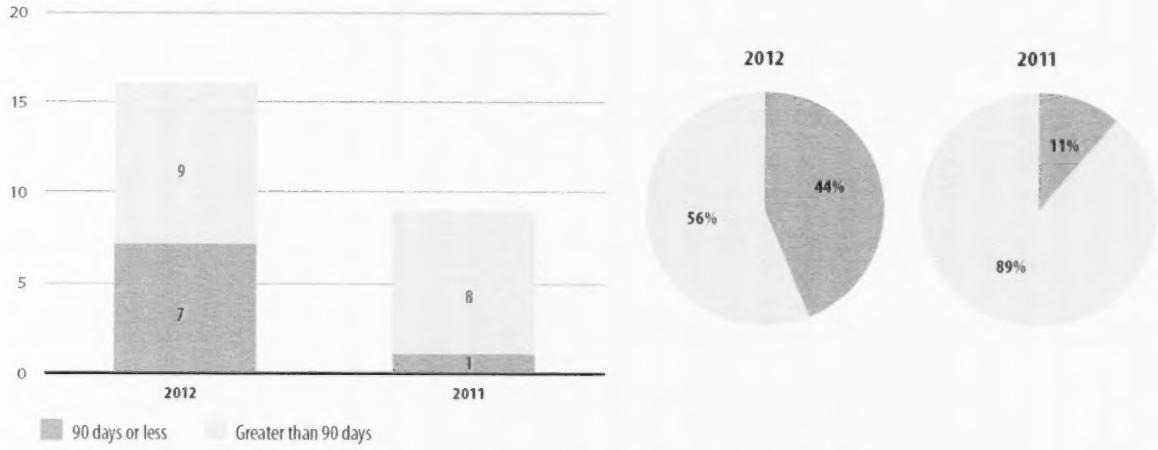
The Act states, "on hearing an appeal, the Appeal Tribunal may confirm, vary or reverse the decision appealed from and shall, on the written request of a person with a direct interest in the matter, provide a written summary of its reasons within 90 days of the completion of the hearing." During 2012, 11 appeals (69%) were dismissed while 5 (31%) were allowed. This compares to 56% dismissed and 44% allowed in 2011.

Decision Outcome



While there has been some controversy whether or not a decision must be released in 90 days if no written request was received, WCAT does strive to meet that deadline. Our records show the average time to issue its decision was 135 days up slightly from last year's average of 104 days. Although there was an increase in the overall average release time, the number of decisions released within the 90 day timeline saw a marked increase. Seven decisions (44%) were released in 90 days or less compared to only 1 (11%) in 2011. WCAT will implement improved processes to more tightly monitor and improve compliance with this timeline. At year end there were 7 appeals awaiting decisions.

Decision Times



The public can access WCAT decisions on our website at www.gov.pe.ca/go/wcat. Decisions made available on the website are written to protect the privacy of all parties.

Freedom of Information and Protection of Privacy

The basic objectives of the *Freedom of Information and Protection of Privacy Act* are to ensure that public bodies are open and accountable to the public by providing a right of access to records and by protecting the personal privacy of individuals. WCAT falls within the definition of public body in the *FOIPP Act* and therefore compliance is required.

WCAT strives to ensure privacy of appellants while at the same time ensuring all parties in the process are provided with and receive appropriate and sufficient disclosure. WCAT is an evidence based documentary appeal process and relies on submissions from participating parties.

WCAT is required to distribute filings as received. During 2012 there were no complaints lodged in relation to privacy issues nor any requests for access to information.

Human Rights Complaint

On January 20, 2012, an individual filed a complaint against WCAT with the P.E.I. Human Rights Commission alleging discrimination in employment and services on the basis of disability and source of income.

The Executive Director of the HRC investigated the matter and dismissed the complaint as being without merit, pursuant to the provisions of the *Human Rights Act*. The complainant, however, requested that the HRC chairperson review the Executive Director's decision. The outcome of the chairperson's review concluded that the complainant did not suffer adverse treatment and concurred with the Executive Director, and therefore dismissed the complaint as being without merit.

Appeals from Tribunal Decisions

The Tribunal is the final decision-maker in the workers compensation process on Prince Edward Island. All decisions are final and binding. However, Section 56(2) of the Act allows a participant who disagrees with a WCAT decision to ask the P.E.I. Court of Appeal to hear an appeal of the decision. Such an appeal most be filed with the Court within 30 days of the tribunal's decision. The Court of Appeal can only allow an appeal if it finds an error in law or jurisdiction.

This is a two step process. First, the person bringing the appeal must seek the Court's permission to hear the appeal. This is called seeking "leave to appeal". The Court may decide that the appeal should not succeed and deny or refuse leave, and that is the end of the appeal process. Second, where the Court is of the view that the appeal could succeed leave is granted, and after relevant documents are filed and served on the participating parties, a hearing is scheduled.

There was 1 leave application filed with the Court of Appeal in 2012. In that instance, the Board's application for leave to appeal was scheduled to be heard before the Court of Appeal on October 31, 2012. While the parties did appear on that date to make submissions, those submissions were in relation to a resolution of the matter reached between the Board and the Worker (represented by the Worker Advisor). The thrust of the matter is that the Panel of WCAT who decided the appeal should have returned the matter to the Board upon WCAT's finding that there was new evidence to be considered. This meant that the Panel's decision regarding the substantive issue of wage loss should not have been made, and was issued in error.

As a result, by consent, the Court of Appeal both granted leave and granted the appeal, sending the matter back to the Board to decide the issue on the basis of the new evidence, and determine whether this new evidence when considered together with all other evidence on file warrants a change of the original decision on wage loss.

MacMaster v. Workers' Compensation WCB (PEI) 2012 PECA 19

In 2011, the worker sought leave to appeal from WCAT Decision #148, dated February 1, 2011. The Court of Appeal granted leave on the following question of law: whether WCAT erred in law when it did not direct the Board that the worker was entitled to temporary wage loss benefits from the original date that benefits were awarded in 1996 until such time when the deeming process was carried out based on the functional capacity evaluation ("FCE") completed in 2008.

Following an oral hearing, on September 26, 2012, the Court of Appeal dismissed the a worker's appeal and held that WCAT's interpretation and application of the relevant statutory provisions was reasonable, as was its determination to uphold the Board's decision. There was no basis to intervene pursuant to the right of appeal provision in s.56.2 of the *Workers Compensation Act*.

Training and Development

The chair, vice chairs and coordinator continue membership in the Canadian Council of Administrative Tribunals (CCAT). Both the chair and coordinator travelled to Calgary, Alberta in May 2012 to attend CCAT's 28th Annual Conference. The coordinator also attended a one day post-conference workshop, Different Types of Reasons for Different Types of Cases, conducted by the Foundation of Administrative Justice.

As the sole employee, the coordinator also participated in continuing education opportunities in the areas of Excel; Microsoft Word; and FOIPP; as well as attended WCB's Occupational Health and Safety Workshop; and, WCB's Annual Report to Stakeholders presentation.

Office of the Employer Advisor

2012 Report

This Annual Report highlights the accomplishments of the Office of the Employer Advisor for the year ending December 31, 2012, and is presented in accordance with its legislated mandate.

About the Office of the Employer Advisor

The legislative authority for the Office of the Employer Advisor is contained in Section 85.(1)(b) of the *Workers Compensation Act* and it became operational on February 16, 2004. The mandate is to assist PEI employers and employer associations with the statutory interpretation and application of both the *Workers Compensation Act* and the *Occupational Health and Safety Act*, as well as policies, procedures and practices of the Workers Compensation Board of PEI. The Employer Advisor provides independent advice and assistance in the areas of claims management, classifications and assessments, workplace health and safety and appeals. Services available from the Office of the Employer Advisor include education and training, assistance and representation during the appeal process, research and analysis along with information sharing. Operational funding is provided to the Department of Environment, Labour and Justice by the Workers Compensation Board of PEI through employer assessments levied by the board. There are no fees charged for our services and the Office operates independently of both the provincial government and the board.

WCB Related Activity

All Workers Compensation Board policies under review and draft policies available for public consultation were reviewed by the Employer Advisor. Feedback from the employer perspective was provided throughout the year for the policies under review and the draft policies put forward by the WCB. The Office of the Employer Advisor also made written and oral submissions to the 2012 Legislative Review Advisory Committee and participated in the WCB's Strategic Plan meeting with employers held in Charlottetown.

The Office of the Employer Advisor represented a number of Island employers in the preparation and presentation of their appeals to both the Internal Reconsideration Officer (IRO) and Workers Compensation Appeal Tribunal (WCAT). The Employer Advisor was involved with six IRO file reviews and one WCAT oral hearing and a second WCAT appeal, which was withdrawn before the hearing was held. During the year thirty-two new files were opened and dealt with claims acceptance and costs, return-to-work/easeback, appeal procedures, apportionment, new evidence matters, pre-existing conditions, and employer assessment and classification. In addition numerous inquiries were handled from individual employers and employer associations on various aspects of both the *Workers Compensation Act* and the *Occupational Health and Safety Act* as well as board policies, procedures and practices.

The Office of the Employer Advisor participated quarterly in teleconference calls with the other four members of the Canadian Association of Employer Advisors / Advocates. The Office of the Employer Advisor was represented at a number of WCB-related public events including the presentation of the 2011 WCB Annual Report, the WCB Health and Safety Conference, the National Day of Mourning Ceremony and the professional development day, sponsored by the Prince Edward Island Chapter of the Canadian Society of Safety Engineering, held during North American Occupational Safety and Health Week.

Communications

During the year eleven issues of *The Employer Advisor* electronic newsletter were produced and circulated via the internet to employers and their management staff, employer associations, public sector managers, and other interested parties. The Office of the Employer Advisor website at www.gov.pe.ca/go/labour continues to offer archived copies of our newsletter as well as current information and up-to-date forms on WCB and OH&S matters and links to relevant sites of interest.

Respectfully submitted,

Patricia H. McPhail
Employer Advisor

2013-1015
Strategic Plan

In 2012, the Workers Compensation Board closed off the 2007-2012 strategic planning cycle and began work on the next planning phase. The 2013-2015 Strategic Plan development included a renewed mission, vision and values and the identification of five themes that will guide the organization's activities over the next three years.

Mission

The Workers Compensation Board exists to protect workers and employers through a sustainable no-fault injury insurance program by caring for injured workers, promoting safe and healthy workplaces and enforcing safety legislation.

Vision

Workplaces are safe. Injuries are eliminated. Service excellence is assured.

Values

Integrity... We honour and are accountable for our commitments to our stakeholders and each other by operating in an open and transparent manner and being responsible for our actions and performance.

Fairness... Our work focuses on the needs of our stakeholders and a balance of both worker and employer interests. We consistently apply legislation and policy.

Professionalism... We strive for excellence in all aspects of our service delivery. We interact in a respectful, competent and efficient manner. We possess the knowledge, skills and attitudes that foster confidence in our stakeholders.

Teamwork ... We build a collaborative culture by supporting each other, sharing ideas, opinions and strengths, and by sharing responsibility and leadership to meet our common goals.

Strategic Themes

Safety Culture

Workplace safety is everyone's responsibility and all Islanders can contribute to a culture of safety in which injuries are eliminated and all workplaces are safe. The WCB will work to encourage principles and practices that instill workplace safety as an integral part of the Island way of life.

Return to Work Culture

Being active, productive and connected to the workplace can promote recovery and well-being for those who have been injured at work. The WCB will support and promote a culture in which the physical, emotional and social benefits of returning to work are understood and embraced.

Service Excellence

The WCB strives toward service excellence to meet and exceed the expectations of our clients and to enhance confidence in the system. We will focus our efforts on delivering a consistent and positive experience at every point of client interaction.

Collaboration

Achieving the WCB vision requires a dedicated team working in collaboration toward shared goals. The WCB will work to develop and advance an environment that focuses on common purposes and joint decisions.

Engagement and Communication

Effective and meaningful stakeholder engagement is critical to the success of our provincial workplace safety and compensation system. The WCB is committed to improving the ways in which we consult, collaborate and strengthen relationships with our stakeholders.

Notes:

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Charlottetown, Prince Edward Island, C1A 7L7
Telephone: 902-368-5680
Toll Free in Atlantic Canada: 1-800-237-5049
Fax: 902-368-5696

www.wcb.pe.ca

Safety Matters @Work
Workers Compensation Board of PEI

Workers Compensation Board of PEI

Annual Report

Promoting safe workplaces
Protecting Island workers and employers

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